

103
**1994 PEANUT CROP AND OUTLOOK
FOR THE PEANUT PROGRAM**

Y 4. AG 8/1:103-90

1994 Peanut Crop and Outlook for th...

HEARING
BEFORE THE
SUBCOMMITTEE ON SPECIALTY CROPS
AND NATURAL RESOURCES
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

SECOND SESSION

JULY 18, 1994
HEADLAND, ALABAMA

Serial No. 103-90



Printed for the use of the Committee on Agriculture

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CONTENTS

	Page
Everett, Hon. Terry, a Representative in Congress from the State of Alabama	1
Rose, Hon. Charlie, a Representative in Congress from the State of North Carolina	2

WITNESSES

Crawford, Jeff, president, Florida Peanut Producers Association	6
Prepared statement	38
Crowley, Gerald, producer, South Central Houston County, Alabama	7
Prepared statement	41
Head, Mitch, president, Adult Peanut Butter Lovers Fan Club	25
Prepared statement	64
Killebrew, Lester H., president, Henry Farm Centers, Inc	24
Prepared statement	61
Miller, Alan, extension economist, Wiregrass Farm Analysis Association	20
Prepared statement	55
Mobley, James Earl, president, Alabama Peanut Producers Association	3
Powers, Camp, president, South Alabama Division of the First South Production Corporation	18
Prepared statement	49
Reichardt, Jim, president, Dothan Area Chamber of Commerce	22
Prepared statement	58
Sanders, H. Manning, president, First National Bank of Ashford	16
Prepared statement	46
Ventress, Bill, president, Sessions Company, Inc	14
Prepared statement	43
Wambles, Don, producer, Pike County, Alabama	3
Prepared statement	34
Wiggins, Ricky, farmer, Covington County, Alabama	5
Prepared statement	37

1994 PEANUT CROP AND OUTLOOK FOR THE PEANUT PROGRAM

MONDAY, JULY 18, 1994

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SPECIALTY CROPS
AND NATURAL RESOURCES,
COMMITTEE ON AGRICULTURE,
Headland, AL.

The subcommittee met, pursuant to call, at 11:00 a.m. at the Wiregrass Substation, Auburn University Experiment Station, Headland, Alabama. Hon. Charles Rose (chairman of the subcommittee) presiding.

Present: Representative Everett.

Mr. ROSE. The House Agriculture Subcommittee on Specialty Crops and Natural Resources will begin its public field hearing here at the Auburn University Experimental Station, Headland, Alabama.

The purpose of this hearing is to review the 1994 peanut crop and the outlook for the peanut program. We have two panels of witnesses, but before we begin I would like to say that we are here today because of your local Congressman, Congressman Terry Everett, who worries about the peanut situation about as much as I do, being from here, and his knowledge of the importance of peanuts to this area. He asked me to come here and we have worked together to schedule this hearing. I am very happy to be here.

Before we begin, I am going to recognize Congressman Everett for any opening comments he might like to make.

OPENING STATEMENT OF HON. TERRY EVERETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. EVERETT. Thank you very much, Mr. Chairman, I certainly appreciate that. And I want to thank you personally for coming down and attending this hearing.

Chairman Rose is one of the busiest people in Washington, and for him to make the time to get down here, I just appreciate it very much. He is not only a long-time member of the House Agriculture Committee, he is Chairman of this Subcommittee and in addition he is Chairman of the House Administration Committee which is responsible for running the House, and he is also listed by national publications as one of the leading candidates for Speaker of the House in the 104th Congress. So he is an extremely busy man and I certainly appreciate him coming down here.

I want to thank everyone for attending this field hearing, and I especially again want to thank you, Mr. Chairman, for having it here in Headland, Alabama.

As all of you know, the Wiregrass is very dependent upon the production of peanuts which contributes hundreds of millions of dollars annually to the local economy. Although the peanut program has undergone many changes, it is still an example of a successful farm program which ensures the producers of a fair price while maintaining a steady domestic supply of peanuts and peanut products for the U.S. and foreign markets.

I also want to note for the record that here in my district, the Second Congressional District, we have experienced severe flooding as a result of the rains from Tropical Storm Alberto and, as many of you know, Secretary of Agriculture Espy was here a few weeks ago and viewed the flood damage. The Department of Agriculture is still in the process of assessing the flood damage to crops and private property and preliminary estimates indicate up to 25 percent of some cotton, soybean, and peanut crops have been damaged. I would like to thank the Department of Agriculture as well as the Federal Emergency Management Agency and other disaster relief agencies for their help and speedy response.

I also want to welcome all our panelists here today and I note that all aspects of the peanut industry is represented here, from the producers to the local banks, insurance companies that provide crop insurance, to shellers and the consumers which ultimately benefit from the peanut or farm programs, which frankly I like to call a consumer program rather than a farm program.

So again, Mr. Chairman, thank you very much.

Mr. ROSE. Thank you, sir.

OPENING STATEMENT OF HON. CHARLES ROSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. ROSE. I will read just a few comments that Congressman de la Garza, Chairman of the Committee on Agriculture, has sent to the Subcommittee for this hearing.

"I want to express my deepest concern about the plight of the thousands and farmers and residents of Alabama, Georgia, and Florida who have been tragically affected by flooding in recent days. In Washington, we are aware of the profound disruption of human lives and the destruction of property that have been caused by the floods. Residents in these areas can be assured that Congress will work to help ease their suffering, repair the damage and assist in restoring the productive capacity of these agricultural lands that have such an important place in the local economy and in our Nation's food and fiber systems.

"Congressman Everett is a valued member of the Committee, who has made clear his interest in the wide range of agricultural issues from improving farm program operations to addressing budget and trade concerns to encouraging rural economic development and to ensuring a safe and stable food supply for American consumers.

"I commend you for this hearing and look forward to working with you and the gentleman from Alabama, Mr. Everett, and with

other members of our Committee on the task ahead, and I look forward to hearing about the issues and perspectives offered during the hearing."

Mr. ROSE. Our first panel today will be composed of Mr. James Earl Mobley, president of the Alabama Peanut Producers Association, Dothan, Alabama, Mr. Al Britt, a producer from Enterprise, Alabama; Mr. Don Wambles, producer, Banks, Alabama; Mr. Ricky Wiggins, a producer from Andalusia, Alabama; Mr. Jeff Crawford, president, Florida Peanut Producers Association, Graceville, Florida; and Mr. Gerald Crowley, chairman, Second District Agriculture Advisory Committee, Dothan, Alabama.

Mr. Mobley, the floor is yours, sir.

STATEMENT OF JAMES EARL MOBLEY, PRESIDENT, ALABAMA PEANUT PRODUCERS ASSOCIATION, DOTHAN, ALABAMA

Mr. MOBLEY. Thank you, Mr. Chairman. We appreciate the opportunity to be here and to testify before you here today, and we appreciate you coming down to listen to what we have to say.

Peanuts are a very important program for us down here, and your assistance in helping to get our Congressmen to work with you on this is certainly in our favor, and we deeply appreciate you and Congressman Everett.

As I said, we have many challenges in the peanut industry today. We are split up pretty bad. I hope that we can hold together, we will be trying. As you know, I am chairman of the National Peanut Growers Group, and we are meeting regularly to try to set policy to pass it on to you and look for your guidance.

With that, I want to say thank you again for you all being down here and looking after the very important crop for this area. And we will turn it to the first witness.

Mr. ROSE. Mr. Wambles.

STATEMENT OF DON WAMBLES, PRODUCER, BANKS, ALABAMA

Mr. WAMBLES. Thank you, sir. Mr. Everett and Mr. Rose, I appreciate the opportunity to be here today and appreciate you taking your time out from your busy schedules to listen to us.

My name is Don Wambles and I am a farmer from Pike County, in the Banks community. And I want to speak to you this morning referring to just how important the peanut program is to us in Pike County, and not only to the farmers of Pike County, but to Pike County as a whole.

We produce about 20,000 to 21,000 acres of peanuts in Pike County annually. And these 20,000 to 21,000 acres is worth about \$14 million to \$16 million to the farmers in farmer stock peanuts. We have a local economist tell us that these dollars turn over in our economy about 7 times. So when you take and multiply that out, you can see that there is an over \$100 million economic impact that the peanut industry has on Pike County. And that is just one small county here in southeastern Alabama that produces peanuts. And if you take the 27,486 people that live in Pike County and you see that one particular agricultural commodity, which would be peanuts, produces a \$100 million impact on that small portion of the population, it has got a tremendous impact in this part of the country.

Not only does it affect the farmers and the shellers who buy the peanuts from us, or not only does it affect the agribusiness dealers and farm equipment dealers that we buy and deal with, but it affects all of our local businesses, from the hardware stores to the grocery stores to the banks, PCAs, Farmers Home, all of these institutions are tremendously affected by the peanut industry. They will tell you real quick like that if we have a short crop, that they see it in their businesses almost immediately. Every one of them, they realize how important that the peanut program and the peanut industry is to Pike County. Without us having a normal crop, dollars are short that are being spent and whenever the dollars come up short going through the local economy, these businessmen feel it in their income.

Another area that we probably overlook a lot of times as being affected by the peanut industry is education. In Pike County, our education is funded locally through taxes, and none of us like to pay taxes, but it is a way of life. And in Pike County and most situations around too, I think that education is funded through sales tax and property tax. Well, if we have a short peanut crop and there is not that many dollars out there in the economy floating around, people buying and selling goods, the sales taxes are reduced, thus the income to education is reduced. And I do not think we have to try to sit here and explain this morning the plight of education. It is very important to all of us.

As we look at what we as farmers need in the way of a peanut program, I think if you look at the current peanut program, that basically it is working for the peanut farmers and for the consumers, that it is a good, viable program, it is something that gives us some assurances whenever we are trying to plan and go to the bank and borrow money to plant a crop, and the expenses of producing a crop is tremendous nowadays. The equipment that it takes to farm nowadays is very expensive. You need some kind of assurances out there. So without a peanut program and these assurances that we have currently, it would be very hard for us to continue to farm. And we need a program that will continue to work for us so not only that we will be able to farm, but our children that wants to remain on the farm will have a future also.

The current program, as Mr. Mobley has stated, you know, we may have to make a few minor adjustments in it, but we basically need to keep the program intact as it is. We need a program that addresses quota and non-quota, domestic and import peanuts. We need one that very definitely maintains something to protect us from import peanuts, that they will meet the same quality standards as our domestic peanuts have to meet. We need, particularly in Pike County, we need to maintain no transfers across county lines. This is very important to us in Pike County.

So some of these things that I have mentioned, see, are already intact in the program and I think that if we can maintain these and come up with a means to assure the government that the peanut program will not cost it any excessive dollars, that we have a program here that would be a model farm program that other programs could be modeled after. It is providing the farmer with a means of security and it is working for him and the consumer, and after all, American agriculture has got to have consumers to stay

viable, and agriculture is so important to us here in the United States—a friend of mine has said many times that agriculture is our best means of national defense. And I do not think that we would have the great military strength that we have if we did not have a good, viable agriculture, as well as some of our other industries. People would have to be at home trying to produce their own food. But the American farmer is productive enough to allow many of them to leave the farm.

With that, Mr. Chairman and Mr. Everett, I would encourage you all to look very favorably upon a program that is very similar to the one that we now have and would ask you all to encourage your fellow comrades in Congress to look favorably upon the program again as it basically is today, in the upcoming farm bill.

Thank you, sir.

Mr. ROSE. Thank you very much.

Mr. Wiggins.

[The prepared statement of Mr. Wambles appears at the conclusion of the hearing.]

STATEMENT OF RICKY WIGGINS, PRODUCER, ANDALUSIA, ALABAMA

Mr. WIGGINS. Good morning. I am Ricky Wiggins, and I, along with my father Gene, and son Russell, farm 500 acres of peanuts and 2,000 acres of cotton in Covington and Escambia counties of Alabama.

My wife Sharron and I have four children, one boy and three girls, ranging from 20 years of age down to 13 years. We derive our income from the land. Sharron is a homemaker and does office work on the farm.

We have been growing cotton since 1985 and it has been good to us at times, but peanuts are the stabilizing factor on our farm as it is on almost every other farm in our area. There is between 13,000 and 14,000 acres of peanuts grown in Covington County.

I am 44 years old and have grown up with the peanut program. As you all know, it has not always existed in the form as it is today. I have seen a lot of changes and I expect to see more. But over the years the peanut program has evolved into a good program for all concerned. It works. It provides the potential for a reasonable profit to the producer, a stable supply of quality product to the consumer at a reasonable cost, and it costs the taxpayers little, if any, money. That is a good program.

How did such a good program come to exist? It came from good people working together for the good of the country. I have always felt that the more reasonable people in Congress seem to be on the Ag committees and I know you have good people to work with here in Alabama. Nothing is perfect. I am sure we could stand some small changes in the peanut program. But to make wholesale changes to something that has worked so well could be disastrous for the Southeast. Changes should grow the industry and not be at the expense of any one group.

I am a cost conscious person and if the peanut program was expensive it would be difficult for me to sit before you today and speak favorably for it. One of my concerns here is crop insurance and ad hoc disaster programs. We need crop insurance as a busi-

ness tool. But I am aware of abuses to that program and especially disaster programs. I would be in favor of a good crop insurance program that would be made available to all producers at a reasonable cost. Do away with disaster payments. Severe penalties need to be in place for abusers and there needs to be provisions to solve the problem.

If this were the case each producer would be able to hedge against disaster if he decided to pay the price. If he did not elect to pay for protection he would have to face the consequences. That would be his business decision.

In closing, I would like to thank each of you for taking your time out of your busy schedules to come down here and be with us here today.

Thank you.

Mr. ROSE. Thank you, sir.

Mr. Jeff Crawford, President of the Florida Peanut Producers Association.

[The prepared statement of Mr. Wiggins appears at the conclusion of the hearing.]

STATEMENT OF JEFF CRAWFORD, PRESIDENT, FLORIDA PEANUT PRODUCERS ASSOCIATION

Mr. CRAWFORD. Chairman Rose, Congressman Everett, peanut industry representatives and special guests. I am Jeff Crawford, President of the Florida Peanut Producers Association, an organization that represents Florida's 1,400 peanut growers who produce 85 to 90 thousand acres of top quality peanuts. We appreciate your allowing us to make comment here today.

Mr. Chairman, only a short time ago, 1989 in fact, we were here discussing the same subject, the future of the peanut program. Each time peanut producers gather to discuss the program, we invariably hear the phrase, "The peanut program is not broken and only needs fine tuning." As repetitive as this may sound, this is the position of the Florida Peanut Producers.

One aspect that is different as we approach the 1995 farm bill is that many groups in our industry want to be a player in writing the peanut portion of the farm bill. These groups have diverse ideas as to what is needed to improve the peanut program.

As the debate begins, let us remember that change for change's sake is not always good and could, in fact, undermine our very purpose. For example, the suggestion that anything less than 100 percent of support price be advanced on quota loan. While this may seem to answer one problem, it presents another, in that it could lower the support price. Another suggestion is to allow spring transfer of quota across county lines. While this could be viewed as a means to improve quality and reduce loan losses, we must be careful that we do not create a climate that results in losing jobs, closing small businesses, and lowering the tax base in our rural communities. Also, while some small farmers could get larger, large farms could get even larger, pushing small farmers out of business because they could not compete. Moreover, this idea almost assuredly guarantees higher quota rent, which further erodes grower profit. Another idea presented to spur competition is to lower quota price. I can assure this distinguished panel that the price of quota

peanuts received by Florida peanut producers needs only to be relative to our production costs. If the authors of this idea can guarantee that production costs will be lowered to the same degree that the quota price is reduced, we in Florida are ready to enter into serious discussion concerning quota price.

There are areas of the peanut program which do need to be addressed. First, the minimum level of quota may need to be lowered to allow the Secretary to set National Quota Poundage level in an amount more in line with consumption, this will also lower program costs. Secondly, the level of under-marketing could be adjusted to more accurately reflect the actual demand for quota peanuts. Thirdly, although spring transfer of quota may present more problems than it solves, fall transfer of quota across county lines could be used to improve the delivery of a higher percentage of quota in a short crop year.

Lastly, the idea of a no-net-cost program should be seriously addressed. Discussion on this point has already begun and can be adequately addressed by the growers themselves.

Mr. Chairman, I am confident that this panel, with other members of the Specialty Crops and Natural Resources Subcommittee will again present meaningful legislation to Congress that will allow the American peanut farmer an opportunity to make a reasonable profit, while providing the American consumer an ample supply of the very best quality peanut products at a reasonable price.

Thank you again, Mr. Chairman, for allowing us to make comment here today.

Mr. ROSE. Thank you, sir.

Mr. Crowley.

[The prepared statement of Mr. Crawford appears at the conclusion of the hearing.]

STATEMENT OF GERALD CROWLEY, CHAIRMAN, 2D DISTRICT AGRICULTURE ADVISORY COMMITTEE, DOTHAN, ALABAMA

Mr. CROWLEY. Congressman Rose, Congressman Everett, I want to thank you for the opportunity to testify before this Committee today.

My name is Gerald Crowley. I grow about 275 acres of peanuts in South Central Houston County, Alabama. My home is near the small town of Cottonwood.

Others here today have testified or will testify about the impact any significant change in the peanut program that would lower income to producers will have on the industry and area economy as a whole. I want to be more personal and tell you the impact such a change would have on me and I believe thousands like me across the Southern tier of these United States of America.

We bought land and machinery by assuming a large debt, the repayment of which was predicated on the stable and, for the good manager, moderately profitable peanut program. As land, labor, equipment and other input costs ratcheted upward with double digit inflation of the 1970s, so did debt, made worse in 1980 by a devastating drought and interest rates that went as high as 22 percent in 1981. Those who survived that period were left with more burdensome debt and little more than the ability to hang on during

a time of generally poor farming profits, and more bad weather in 1990 and 1993, and now it seems in 1994. In our area the peanut program has been our only hope.

The present program may be restructured. Our indebtedness and the impact that has on our lives in most cases cannot be restructured.

Imagine with me for a moment that you have planned a trip across the ocean in a vessel that will accommodate your worldly possessions. Imagine further that your life's hopes, dreams and aspirations on the distant shore are based on your safe arrival with those possessions intact. As you sail suddenly your ship is torpedoed and you are left with the choice of what must go overboard. Such is the choice we peanut producers may have to face. Will it be our retirement, our childrens' education, our farm or even our home. How can a middle-aged person survive the trauma of such events, not to mention having to find the courage and means to start over. Abolishing or drastically altering the peanut program will bring chaos to producers, their families and the communities of which they are a part.

Let me say to all who will listen and hear: The peanut program works; it works for the producer, it works for the local economies and it works for the consumer. I produce a high quality, nutritious product at a reasonable price for this Nation and the world. Furthermore, I am not on welfare and do not want to be. I pay taxes, create jobs and I have helped two of my four sons get college degrees. I hope I will survive to help the other two that are younger.

I have presented my views in a very few minutes, but the picture I have tried to paint, I hope, shows the impact a stable, profitable crop has had on my life and the lives of my family and fellow producers. I hope you can empathize with me as you imagine my worst fears—no peanut program. I cannot pay for food, clothing, shelter, medical care, education, et cetera if I cannot make a profit.

Fine tune the peanut program where needed, but leave the basic, stable structure as it is or else I and many others like me will find ourselves trying to salvage our lives after being torpedoed by a diminished, unprofitable peanut economy.

Thank you.

[The prepared statement of Mr. Crowley appears at the conclusion of the hearing.]

Mr. ROSE. Thank you all very much for your excellent comments.

One thing I did not observe when I started was that while we may be in Congressman Everett's Congressional District, I do not want to not mention your two Senators who are very helpful to us in agriculture and all phases of it. Senator Heflin and I have worked together as long as I have been in Congress, and I do not know what we would do in the Senate on the peanut program if Senator Heflin was not there. It is that way on tobacco with Senator Ford from Kentucky and what Ford is to tobacco, Heflin is to peanuts. And it is amazing how much we depend on him.

I am looking at a CBO estimate of CCC outlays under the Uruguay Round of the GATT against the February CCC base lines, which is just some fancy talk for comparing how much the peanut program costs CCC or saves Commodity Credit Corporation during the years 1995 to 1999. And from the years 1995 to 1999, it is esti-

mated that the peanut program, if it is run like it is now, will reduce outlays by the Commodity Credit Corporation by \$563 million. And from the year 2000 to the year 2004, it will reduce outlays by the Commodity Credit Corporation by \$873 million. So the peanut program saves the Agriculture Department \$1.4 billion over this 10 year period. And not only is it not broke and does not need fixing, it is really, in my opinion, a model program for production controls.

The dairy program from 1995 to 1999 will increase outlays \$422 million; cotton, \$7 million; feed grains are supposed to reduce outlays by \$50 million; rice reduce outlays by \$682 million—this is 1995 to 1999—wheat will increase outlays by \$246 million and then EAP and GSM are supposed to reduce it also. But peanuts is in a remarkable position.

I have some other comments and questions but I want to let Congressman Everett go first with any questions he may have for this panel.

Mr. EVERETT. Thank you, Mr. Chairman, very much, and also I would add what you did about our Senators. I see in the audience Tim Brown from Senator Heflin's office here. We all know how much Senator Heflin has meant to the peanut program. All of you peanut farmers realize that. And Tim, we appreciate you very much, the fact that Senator Heflin sent you to represent him today. Thank you very much for being here.

Gerald, you bring up something that is real interesting, the fact that—let me read it, you say "I pay taxes and create jobs," and you talk about sending two of your four sons to school and you were not on welfare and did not want to be. And I agree with that.

I think that often people miss the fact that in our particular area, because of the concentration of the peanut industry that we have here, the third largest Congressional District in the country producing peanuts, and then we have a lot of shellers and other people associated with the product. People like you literally provide—and the rest of you up here—tens of thousands of jobs in this area. It just does not stop with the peanut farmer and his family. It goes far beyond that. We have got a program that allows the American consumer to spend 8 percent of their disposable income for food, the lowest in the world. The next lowest I think is the Japanese with about 19 percent. What that translates into is the fact that 90 percent of Americans' disposable income can be used to buy other goods like shirts and furniture and automobiles and other things, which in turn creates more jobs.

So it is a little difficult for us to imagine that there are folks in Congress—I like to say that we have got a lot of folks up there that think a farm is a salad bar in a supermarket. And while I say that a little bit in jest, I really do not mean it in jest, because if you stop to think about it, most Americans go to the supermarket and there is just tons of this wonderful food that is available to them 12 months a year, 365 days a year, and all they have to do is pick it up and put it in the basket. And that is literally as much as they know about where it comes from.

So I think those of us in Congress have a burden to make sure that the folks that we deal with in Congress realize that this is a model program. As you point out, the peanut program is a model

program—as the Chairman pointed out, it is absolutely a model program.

I appreciate you all being here today. Mr. Chairman——

Mr. ROSE. Reserve your questions?

Mr. EVERETT. Yes, sir, I sure will.

Mr. MOBLEY. Mr. Chairman, one of the points that has not been brought out is—and I may be getting out on thin ice when I say so, but I think about 60 percent or better of the quota in Alabama are rented out to us people trying to get an economical unit together to make a living for our families. They say well the big rich peanut farmers. What they do not see is if you are farming 1,000 acres of peanuts and you have got three or four sons out there with you, then this is all divided up and everybody has got to have a living out of it. There are a lot of widows and families out there that have retired that owns land and rents that and that is their livelihood.

Mr. ROSE. In the last farm bill, Mr. James Earl, did we not provide for some quota to go into the Texas Panhandle?

Mr. MOBLEY. Yes.

Mr. ROSE. In other words, it was a nonquota area, they were growing nonquota peanuts and——

Mr. MOBLEY. It was a rule for Texas only, yes.

Mr. ROSE. But it was something we put in the Farm Bill, was it not?

Mr. MOBLEY. Yes, it was.

Mr. ROSE. I thought so. When the Washington Post goes down there—I am sure you saw the story—and finds one of these non-quota farmers, who now suddenly has got some quota, which is what all the farmers wanted us to give him down there, and he is talking about what a welfare gift he has gotten from the U.S. government because all of a sudden he has got some quota peanuts and he did not pay anything for them. I mean, you cannot win for losing, it looks like sometimes when we try to help peanut farmers in some areas. I am not talking about——

Mr. MOBLEY. This young man with the quota, his father followed me speaking the other day, and I was telling what we wanted to retain as a peanut program and he said let us turn to page 109 and sing “Precious Memories”, as if they were going to do away with the peanut program. This is a peanut farmer out in west Texas that said that.

Mr. ROSE. So that was his son?

Mr. MOBLEY. Yes. My son was not there because I held my temper. They would not have believed it, I did not say a word. I just listen to him. He was courteous enough to listen to me. But this is what we are facing.

Mr. ROSE. I did not think “Precious Memories” was at page 109.

Mr. MOBLEY. I do not know, that was his hymnal, not mine. [Laughter.]

Mr. ROSE. That is a good point.

There are a couple of other things that we need to mention. I owe our staff at the Agriculture Committee, and Keith Pitts sitting beside me, primary effort for this because he is scurrying around, going to the CBO or to the GATT people and to all the Subcommittee members. And listen to this, this is what CBO has put in its

draft estimates and assumptions for the Uruguay Round of GATT, as to peanuts.

It says "Commodity Credit Corporation outlays will fall as reduced domestic peanut butter imports increase demand for domestic peanuts for food use, which raises loan repayments above levels assumed in the base line." All right, and you ask what is this about reduced domestic peanut butter imports? Well people may not be real clear on this, but under the GATT agreement the import level for peanut butter will be set at 14,000 metric tons. That is for all countries—no, all countries will be 19,000—I will start over, "The U.S. will establish a tariff rate quota for peanut butter which will start at 19,150 tons in 1995 and increase to 20,000 tons over 6 years." What has been imported before now, Keith?

Mr. PITTS. It is capped at that number, 14,000, so it will not increase, which it has been increasing by about 700 percent.

Mr. ROSE. It should not increase over this. This quota will be allocated among current importing countries: Canada, 14,000, which is what it has been; Argentina, 3600 with an additional amount for less developed countries, 750 tons growing to 1600 tons for less developed countries.

So we have got a pretty good cap in sight on imported peanut butter, and we were able to increase the tariffs that go above that level, is that correct?

Mr. PITTS. Yes.

Mr. ROSE. From 126 percent of value to 155 percent of value. So the cost of going over those limits has gone from 126 percent of value tariff to 155 percent of value tariff. So that makes it a little stickier to do and a rather higher economic risk of trying to cheat or get away with that.

Now there are some people who are saying—and I think, Don, maybe you mentioned, or Ricky, maybe you mentioned, people talking about some adjustments in the program. The basic thing that is being discussed, of course, is cutting the price support level. I mean that is the bottom line that some people, mainly the shellers, would like to have, 90 percent loan advance rather than 100 percent, and across county leasing.

I am not asking you for any organizational response unless you are in an organization that has a position on that, and I am not saying that you should. I am just telling you what is out there and asking you what—how do you feel about cross county leasing, 90 percent loan advance and a decrease in price support. And Mr. Crawford spoke about a no net cost program, as being in favor of it. Any comments from any of you that you would like to make? I am not going to ask you individually, you can volunteer if you want to. If you do not, you do not have to. Do you have any comments about any of those things?

Mr. WAMBLES. Mr. Chairman, I would like to address the across county line transfers. For us in Pike County, it would almost put us out of the peanut business if peanuts were allowed to be transferred across county lines. So we would like to retain the no transfer across county lines. The reduction in quota price, I think that probably the no net cost that Jeff was referring to would be a better solution than a reduction in the quota support price. Also, I

think that it would put more stability in the program, as opposed to a reduction in the quota support price.

Mr. WIGGINS. I would like to agree with Don on the across country transfers. That would just concentrate peanut production into smaller areas, more well established farms, and especially in counties like mine and Don's where we have smaller fields and smaller farms, maybe we not be quite as efficient as some of those larger farms and it would concentrate production in smaller areas.

Mr. MOBLEY. Maybe I should address it from the national grower group standing.

Mr. ROSE. Thank you, sir.

Mr. MOBLEY. We say none of the above. [Laughter.]

We do not want any transfer, we do not want any price lowered, we do not want any change in the peanut program. If we have to come up with something, and we will come with an assessment to cover—to make a no net cost program. That is not politically popular for you or for Mr. Everett or for me or for Senator Heflin or nobody else. But I would rather have 97.5 percent of the loaf than no loaf at all. And so we have to do that, and you think that has got to come, then you tell me and we will work on that line.

Mr. ROSE. Well that is something Senator Heflin and Mr. Everett and I are going to have to get our heads together and figure out.

Mr. MOBLEY. Right. If we do not have to have anything, then we want to leave it alone, just keep it just like it is. We will be meeting in the next few days in the national growers group which encompasses all of the quota growers in the nation, and we will develop policy, and as you know, we will be in touch with you from day to day then.

Mr. ROSE. That is certainly the best way for us to proceed. We understand that the Canadians are even talking about maybe making some other concessions to us to show real good faith on keeping peanut butter imports from coming into the United States and we will just have to see how those develop in the future.

My staff tells me that what GATT should do is to cap imports of quota peanuts at the 1993 levels and since 1989, Canadian imports have increased 700 percent, but we think that if we can hold things at 1993 levels—it would be great if we could roll them back, but at least at 1993 levels, I think we clearly stop the hemorrhaging.

Mr. MOBLEY. Well we are concerned, Mr. Chairman, does NAFTA come over GATT or does GATT come over NAFTA. Keith, do you—

Mr. ROSE. I am going to let Keith answer that, Keith is the staff director of the Subcommittee.

Mr. PITTS. Right now it is apparent that NAFTA and the Canadian Free Trade Agreement will be superior over GATT in our relationship with those two countries, and particularly with the capping of Canadian peanut butter imports, when we go into GATT we are going to have to also amend the Canadian Free Trade Agreement to reflect these concessions that we got under GATT.

Mr. MOBLEY. Would that not be a plus for us if NAFTA—

Mr. PITTS. If NAFTA were to also come under the same, the 19,000 metric ton limitation that is set for worldwide, it would certainly be helpful. As you know, under the NAFTA agreement, we

put in a pretty strong rule of origin requirement and in order for Mexican peanut butter to come in here, Mexico would have to grow all the peanuts and then also do all the processing down there. I do know it is an issue that has kind of raised its head in these discussions. In talking with USDA, they told us that those areas where peanut production would be possible and Mexico would require a lot of irrigation and that most farming operations would go for higher value crops rather than peanuts or peanut butter.

Mr. ROSE. Mr. Everett.

Mr. EVERETT. Thank you, Mr. Chairman.

I would love to see us get in a position where we are not always reacting to somebody. And I think that one of the first things that we need to start doing is quit apologizing for making a profit on the farm. I mean the average peanut farmer only—according to USDA—only makes \$30,000 a year income. That is not a lot of money these days. So hopefully we can, working with the Chairman and others who are interested and with the different groups around the country, that we can try to get ourselves into a situation where we are not always reacting, have a proactive thing. And we certainly appreciate the input that you folks give us toward that.

Mr. ROSE. Thank you, Mr. Everett.

Mr. EVERETT. Thank you, Mr. Chairman.

Mr. ROSE. The General Accounting Office made a study at the request of New York Congressman Schumer. Congressman Schumer represents a part of Brooklyn, maybe part of Manhattan Island but I think it is mainly Brooklyn, New York. And he asked the General Accounting Office to check on the support levels for sugar and the support levels for peanuts, and he asked them at the same time to do that. And I told him, I said if you had been a farm boy, you would have known that peanuts and sugar together spells a candy company lurking somewhere in your background. He of course denied that stoutly, but there is a certain curiosity about the combination interest in peanuts and sugar at the same time, you understand.

As to peanuts, the publicity came out that the consumer is paying too much for peanuts, but when we got into the hearing, what the GAO explained that they meant, the consumer to them was the first purchaser of the peanuts, which was the companies, such as the peanut butter manufacturers or so forth and that they actually talked to some of the nation's largest peanut butter companies and asked them if the quota price was reduced, would you pass those savings on to the American housewife, and the answer was no, that we could offer a larger product line. Now I want you all to hear it from me because I have look—I have talked to all these people pretty carefully about this and their basic argument—I said well why do you not advertise peanut products more and they say, because we do not have high enough margin in the product to spend that kind of money that is necessary to advertise it, and if the quota price was reduced, we could have a greater margin of profit and spend some of that money for advertising the product. But there is no way to put that into any agreement, put that into law, to make sure that that actually happens. Now I have made the—as to sugar and peanuts, both of which come under this Sub-

committee, and that is to the candy manufacturers generally, butter manufacturers generally, if you will agree to us in a legally binding way that you will pass whatever cut we make in quota on to the American housewife, we will agree to it. And they say well there is no way we can agree to do that.

So what I am trying to do is to let my colleagues in Congress know that when somebody in the candy or peanut products business says when we want a lower quota price, that what they mean is, they will not agree to pass that on to the housewife. So some of our Congressmen say the American housewife is getting cheated because of the peanut program, but when you get to asking the tough question, okay, we give you a 10 percent quota decrease, will you pass that on to the American housewife, no we cannot agree to that, we just agree to advertise more. So that is for your information.

Do you have other questions?

Mr. EVERETT. Well Mr. Chairman, I appreciate you putting that on the record because that is exactly the case and I remember that is one of the things that Mr. Armey had used as his argument and when we presented him with the actual testimony on that, that we had in the hearing that, James Earl, you came up for, it sort of frustrated him, he did not know what to say about that. So I really hope our national media, when they hear those kinds of charges, and our local media, will look beyond them in the fact that that is just absolute baloney. That is going in somebody's pocket and it is not the consumer's pocket.

Thank you, Mr. Chairman.

Mr. ROSE. Gentlemen, thank you very much. We will excuse you at this time.

Our next panel is a little bit larger than the first panel and if you all will come please. Mr. Bill Ventress, president of Sessions Company, Enterprise, Alabama; Mr. Manning Sanders, president of First National Bank of Ashford; Mr. Camp Powers, division president, First South Production Credit Association, Ozark; Mr. Alan Miller, farm analyst, Wiregrass Substation, Headland; Mr. Jim Reichardt, Dothan Chamber of Commerce; Lester Killebrew, president of Henry County Farm Center, Inc., Abbeville; Mr. Mitch Head, president, the Adult Peanut Butter Lovers Fan Club, Atlanta, Georgia.

All right, Mr. Ventress.

STATEMENT OF BILL VENTRESS, PRESIDENT, SESSIONS COMPANY, INC., ENTERPRISE, ALABAMA

Mr. VENTRESS. Thank you, Chairman Rose and Congressman Everett, for being here today.

I am Bill Ventress, president of Sessions Co., Inc. I appreciate your invitation to address this committee.

Sessions is a sheller, we buy peanuts from growers, shell them, and sell them to peanut product manufacturers. While we are members of several peanut organizations, the views expressed today are my own.

The peanut program has existed in different forms since the 1930s. I still visit with people who remember the harvest of 1931 when peanuts fell from \$75 a ton to \$25 per ton during harvest and

farmers could not pay their loans at the bank. The stability provided by the peanut program has been an important factor in the economic development of the Wiregrass. This stability becomes particularly important in times of natural disaster such as we have just experienced over the past few weeks. Over the course of those years the program has seen various changes that addressed problems of that day. Although some solutions were better than others, the program has operated with very little cost to the government in most years. While the direct benefits have accrued to those who grow peanuts, other agriculture related businesses such as shellers and farm suppliers have realized indirect benefits over the years. During most of that time, manufacturers have enjoyed a stable source of raw materials with improving quality each year. I would like to address some areas of the program that should be considered in formulating a continuation of the program after 1995.

I believe it is critical to examine the price support program in the context of the historical basis of the program. For many years, the support price established a price above the world market that would enable growers to produce a safe, wholesome and nutritious product. It is not the intent of the loan program to provide a primary market, but to serve as a safety net for the successful operation of the peanut program. We should encourage movement of peanuts to the grocery store shelf. Increased consumption from the grocery shelf results in lower government costs.

In the past few years, most growers have produced the needed safe and wholesome product at the support price. It is my recommendation that the only peanuts that should be eligible for CCC loan are those peanuts for which there is no commercial offer at the support price within a reasonable distance. This would diminish the peanuts going into loan and therefore, the possibility of government loss. I believe this change would also help to provide a reasonably priced supply to manufacturers.

There should be some mechanism to assure the timely and orderly movement of more quota peanuts during periods of growing demand or supply shortage. As a sheller, our goal should focus on the simple premise of stable price and supply of quality peanuts to keep our markets growing for the future.

With the changes over the years, the subject of quality discounts has not been dealt with in many years. This is an area that could be addressed administratively in the differential calculations. For the past five years the Secretary has not used the statutory authority to allow comments on the differential calculations despite many written requests to do so.

With the increase in quality demands over that past few years, the loan program must encourage the highest standards of quality attainable for our industry to survive. Growers in the U.S. already produce the highest quality peanuts in the world. We cannot sit back and wait for other countries to pass our standard as has happened in so many other industries. To avoid losses to the government and keep our industry growing, the loan program must demand state of the art quality requirements. If there are standards that 80 percent of our growers attain, the other 20 percent should meet the same standards. We should look for the proper mix of pro-

ducer incentives and discounts to encourage delivery of peanuts of the highest quality level practicable.

A very emotional issue in the history of this program has been the fair price that allows growers to continue to supply a safe and wholesome product while allowing manufacturers to produce and sell a product that will find growing consumption.

I am not have the facts to say what is a reasonable price. I am aware of the structural changes in our industry that will occur as a result of NAFTA, and potentially more changes if GATT is ratified. It is my understanding that a universal goal of all growers is to renew a program that results in no cost to the government. If those growers will be bearing the cost of any error in arriving at that price, I will defer to the growers in calculating that price. If we have an expanding industry that does not meet consumer resistance in the marketplace, I will be happy with that price.

After that price is decided I must admire the mechanism that the tobacco industry has used for the past several years to update the support price each year. Our industry should consider a similar price adjustment mechanism that may reduce the problems encountered in changing the support price in the future.

In closing, I would like to thank you again for this opportunity to share my thoughts. It is important that this industry share a unified voice in approaching the upcoming Farm Bill. I look forward to working with the committee and other segments of the industry in reaching this goal.

Mr. ROSE. Thank you, sir.

Mr. Manning Sanders, president, First National Bank of Ashford. [The prepared statement of Mr. Ventress appears at the conclusion of the hearing.]

STATEMENT OF MANNING SANDERS, PRESIDENT, FIRST NATIONAL BANK OF ASHFORD, ASHFORD, ALABAMA

Mr. SANDERS. Mr. Rose, I am Manning Sanders, president, First National Bank of Ashford. I represent a small community bank in the Houston County area.

I am here today to talk about the benefits of the peanut program to agriculture lending and the area farmers ability to borrow operating funds. Agriculture lending is basically the same as any other type of lending. Five basic credit factors are considered when looking at any loans. With the current peanut program all of the five credit factors are positively affected by the peanut program. These factors—the first one is the repayment capacity, which is the ability of the borrower to earn enough income to repay his operating expenses, his fixed cost plus retain a reasonable return on his investment. The price support for quota peanuts gives area farmers at least one profitable crop. Peanuts have historically been profitable to area farmers, especially when compared to non-supply based programs. The price support does not afford area farmers any large income gains but does provide at least a reasonable return on the farm investment.

The second factor we look at is collateral, which is the value of the asset securing the loans. Various types of assets are used for collateral on farm related loans. Farm equipment, farm real estate, crops, and crop insurance. These assets must be valued at the time

of the loan. The value of the land and equipment are based on what comparable items would sell for. The crops are valued based on the projected sales price of the crops. In the case of peanuts as compared to other area crops the price support sets the price for quota peanuts and limits the acres planted for quota peanuts. Other crops have no acreage limitations and an unknown market price. With this set price and crop insurance protection a value can be given to the growing crop. Without a peanut program, other types of collateral such as land and farm equipment, especially peanut equipment would drop drastically in value. This would leave lenders with a limited collateral pool to be used when considering loan request.

The third factor is the financial capital, this is the underling net worth of the borrower or simply what capacity would the borrower have to recover from a loss situation. With all of the variables involved in agriculture production, especially with uncontrollable situations such as the current flooding, an adequate net worth is a necessity in agriculture lending. The price support along with the quota system both affect the price of land and farm equipment. These farm assets usually make up the bulk of the farmers net worth. Without adequate capital to absorb uncontrollable losses, fewer and fewer small farm operations would have access to bank financing. The peanut program and quota system are the driving force behind area farm land values. The peanut program was intended to level the production of U.S. peanuts, which it does. Because it has been successful, owning peanut land and quota peanuts adds value over and above what comparable land which is not farmed for peanuts or has any quota would have. This value shows up in the net worth of area farmers. Without a peanut program almost overnight a large decrease in farm net worth would occur on the balance sheet of area peanut farmers.

The fourth one is borrower history and character. This is the borrowers historical performance based on his ability to make profits from his farming operation and management in using these profits to build net worth and improve his financial capacity. In area agriculture, peanuts are the major cash crop and a historically stable income producer. Compared to other crops which can be grown in the area, corn, small grains, soybeans which do not have a supply limiting program, there is a definite historical advantage to the peanut program. The stability provided by the current program gives lenders confidence in the overall economic conditions of the area.

The fifth one is the purpose or condition. This is the fifth credit factor, which is affected by the peanut program. It is to consider the borrowers purpose for use of the loan proceeds. Included in this consideration are the current economic, legal, political and social environment. When bankers consider agriculture lending, the question to be answered is: Are the economic conditions favorable for profitable agriculture production? From a individual point of view, is the loan request made for the purpose of making profits to improve his lifestyle, community or way of life. With a program that works like the peanut program it is easy to see that borrowing monies for the purpose of peanut production is a reasonable request. If there is no program, it could be very questionable whether

banks could consider requests for agriculture production. To farm without some reasonable chance for a profitable operation would not be considered a viable purpose for granting an agriculture loan.

One other factor which needs to be considered is the importance of crop insurance as a tool in agriculture lending. If used properly it can be a very important tool both for the farmer and banker to use in limiting risk. Without crop insurance, and a viable peanut program, farm credit, which is almost a necessity for every farm producer, will be limited. This limit on the availability of credit would cause severe economic trouble to many of the local communities which are dependent on local agriculture productivity in the Wiregrass area.

Thank you.

Mr. ROSE. Thank you, sir.

Camp Powers.

[The prepared statement of Mr. Sanders appears at the conclusion of the hearing.]

STATEMENT OF CAMP POWERS, DIVISION PRESIDENT, FIRST SOUTH PRODUCTION CREDIT ASSOCIATION, OZARK, ALABAMA

Mr. POWERS. My name is Camp Powers and I am president of the South Alabama Division of First South Production Credit Association. I appreciate the opportunity to come before you today to speak in favor of the peanut program.

First South PCA is part of the nationwide farm credit system with our primary objective is to extend short and intermediate term credit to farmers and ranchers in the states of Alabama, Mississippi, and Louisiana. At the present time, we have loans outstanding in excess of \$400,000,000.

The South Alabama Division that I have comprises 31 counties, and we have loans outstanding to 950 owners-customers in excess of \$82,000,000 as of June 30. Approximately 35 percent of my business is tied to the peanut industry and peanut farmers will have outstanding, before they gather the crop approximately \$36,000,000 in loans to us.

The territory I supervise comprises all of the peanut producing counties within the state.

The peanut program and its existence has had a major impact on the economic well-being of the farmers who have participated in it. But the peanut programs economic impact goes well beyond the farm gate.

In preparation for my appearance here, I examined the files of approximately 40 of our larger customers as concerns their 1993 operation. I would like to point out that 1993 was somewhat of a disaster year for many people in our area. Based on the information I examined I would like to present to you the following facts:

1. These 40 farmers produced income of \$21,712,924 with the majority coming directly from peanut crop sales.

2. It cost these 40 farmers \$18,764,092 to carry on their operations and to produce the previously mentioned income level.

3. This leaves a total net operating profit of \$2,948,832. From this amount, payments for land and equipment were made, which sustained the business, in the amount of \$2.5 million leaving a net

profit of \$366,220 or for the 40 operations we are talking about, \$9,155.50 per operator.

Included in the expense figure of \$18,764,092 were the following items:

4. Taxes—farmers paid federal and state income taxes and real estate taxes in the amount of \$1,183,481. These are funds paid directly to federal, state and local governments. This equates to \$29,587 per operation as an average.

Rent paid to landlords was \$2,625,442. These are funds paid to landowners that do not farm but who own farmland. These landlords are made up of retired farmers, widows of farmers, and those that either inherited or bought farm land. To the best of my knowledge, there were no large corporate land owners or foreign land owners involved in any payout.

This figure is significant because the people who receive these payments must in turn pay property taxes on the land they own and pay federal and state income taxes on these incomes that they have received.

6. Labor that was paid to farm employees was \$1,794,030. This number is significant because these employees must in turn pay federal and state income taxes and social security taxes.

I have been taught that money turns over approximately 5 times in a viable economy. If this in fact is true then the forty farmers producing \$21,712,924 in farm revenues contributed \$108,564,620 to the economic stream of our area. I believe that we can all agree that this is a significant economic impact not just for the farmers but for the entire business community.

I moved to south Alabama in 1975 and it was then that I first became involved with the business aspects of the peanut industry. Since that time, the peanut program has undergone major changes—most of which have reduced the economic impact of the peanut industry. Further reductions in the program or elimination of the program will only serve to further the adverse economic impact in our area.

All farmers, including peanut farmers responded to the call to produce all we could so that America could feed the world. Now, every time we look up some of those same groups that put forth the call are trying to kill those that answered it.

I live in the town of Louisville, Alabama. It is about an hour from here and has a population of 728. It is small-town America. We do not have a traffic light, but we do have cable TV for those fortunate enough to live directly in town. We have a bank, a post office, one full-time gas station, a couple of convenience stores, churches, schools, two fertilizer, seed, and feed dealers. As with most small towns we also have a main street with vacant stores that serve to remind us of the flock to urban areas because good jobs don't exist in enough quantity to hold our young people.

Our town is greatly dependent upon the peanut industry and farming to sustain our existence. Without the flow of money made and spent by farmers our town will dry up.

This is happening all over our country and is the direct result of our leadership de-emphasizing the important role that the entire agricultural industry has in our society.

I would like to repeat to you that in 1993, 40 farming operations paid \$1,183,481 in taxes.

Paid \$2,625,442 in rent that had taxes subsequently paid on it.

Paid \$1,794,030 in labor cost that also had taxes paid on it.

Contributed \$108,564,620 to the economic stream of our area.

Peanut farmers are contributors to our area and our nation, and will continue to be so, given the opportunity. I encourage you to support the passage of the necessary legislation that will allow for this producing segment of our economy to continue to be economic contributors.

Thank you, sir, for your time.

Mr. ROSE. Thanks, that is excellent.

Mr. Alan Miller.

STATEMENT OF ALAN MILLER, EXTENSION ECONOMIST-FARM BUSINESS MANAGEMENT, WIREGRASS FARM ANALYSIS ASSOCIATION

Mr. MILLER. Mr. Chairman, I serve farmers in southeast Alabama in my role as a farm business management economist for the Alabama Cooperative Extension Service and as advisor to the members of the Wiregrass Farm Analysis Association, which is a farm records and business analysis association. I am responsible for providing educational programs and information on the economics, management and marketing of the peanut commodity to Alabama farmers.

The average net farm income of the peanut growers in the Wiregrass Farm Analysis Association in 1993 was \$25,310. This compared to a ten year average net farm income of \$51,080. Farm businesses must produce net farm incomes, because this provides money to pay family living expenses, to pay income and social security taxes, to retire principal on term debt and to make new investments in the farm. And as Mr. Mobley pointed out, many of these farms support more than one family. Income and social security tax payments alone averaged \$17,981 in 1993 on Association members' farms, so that on the average members suffered financial losses in 1993. The association had individual members who lost in excess of one-third of their market value equity in 1993, due to the drought damaged 1993 peanut crop. In 1994, mother nature has again dealt harshly with many southeastern peanut growers. I say all this to emphasize that producing peanuts exposes growers to financial risk and is not the path to easy money that some people might have you believe.

Each year I summarize the business records of the farm analysis association's members. This data can be used to show how these farmers' average net farm incomes and financial progress could have been affected had changes been made then in the support price for quota peanuts. In the July 1994, issue of Southeastern Peanut Farmer, one of the articles reported that in a recent meeting in Washington shellers proposed a \$550/ton support rate for quota peanuts. If the support price had been reduced by 18.5 percent to \$550 in 1992, how would association members' businesses been affected? I chose 1992, because it was the most profitable year our peanut growers have experienced since formation of the association in 1984. With a drop in the support price to \$550/ton in

1992, members' total farm cash operating incomes would have declined 10 percent on the average and net farm incomes would have declined 48 percent on the average. Instead of the financial progress that these farmers achieved in 1992, the lower support price would have resulted in an average shortfall in debt repayment capacity of \$6,364. This example shows that these farms' profitability and debt repayment capacity are very sensitive to what might seem to be modest declines in revenues.

After the initial drop in the support price, we might expect some reduction the adverse impact on peanut producers with the passage of time. Dr. Stan Fletcher reported last week at the annual meeting of the American Peanut Research and Education Society on the results of research he and his colleagues recently completed on the demand for peanuts. That research shows that a drop in the quota support rate to \$550/ton will reduce growers' total peanut revenues by 12.34 percent. I want to express my appreciation to Dr. Fletcher for giving me permission to incorporate that information into my comments. If the 12.34 percent is multiplied times the percentage of a peanut producer's total farm cash operating income attributable to peanut sales, then the resulting product will equal the percentage by which the producer's total farm cash operating income will decline as a result of a drop in the quota support price to \$550/ton. As my example showed, even seemingly small declines in total farm cash operating income can wipe out most, if not all, of a producer's profitability and repayment capacity.

In the years following the initial drop in the support price to \$550/ton, the adverse impact on growers might be somewhat reduced by declines in certain expenditures including expenditures for seed, income and social security taxes, and rent. The benefit to growers from these moderating effects should not be overrated by policy analysts. For example, the biggest of these expenses for Wiregrass Association members is rent. Typically, total rent paid by these farms for cropland, quota, and pasture will average no more than \$.18 per \$1 of peanut sales. Even if rent went to \$0 as a result of a change in the peanut program, what reasonable person would give up \$1 of peanut income in order to save \$.18?

Recent research on economic multipliers applicable to the peanut sector of the economy in the region indicate that total economic activity in Alabama will decline by perhaps as much as 100 million dollars annually as a result of a drop in the quota support price to \$550/ton. We can expect reduced employment, failed farm and nonfarm businesses, and a decline in rural land values. A decline in quota values will be especially hard on those farm operators who have purchased additional peanut quota in recent years. The case for inflicting this type of economic pain and suffering on the people of the Wiregrass would need to be very compelling.

There are two other issues I would like to comment on:

First, I am concerned about claims that allowing the transfer of quota across county lines will improve the economic efficiency of peanut production and improve the quality of peanuts produced by eliminating production on low yielding farms. At least in the short term, that assertion appears questionable. The reason is that any movement would likely be to those counties where the rental rates and purchase prices of quota are now highest. In Alabama, those

counties are the ones that already have the highest concentrations of quota. Transfers to these counties may only compound the difficulties growers are having with maintaining yields, because of poor rotations and increasing disease and pest pressures. Also, a good case could be made that peanut yields, quality, and economic efficiency vary as much or more between individual producers within a county as between the producers in different counties. A related proposal that seems more reasonable to me is to allow temporary fall transfers across county lines as a means to avoid loan losses and to prevent excessive bidding up of fall transfer rental rates, since natural calamities may affect one county more severely than another.

I am also concerned by statements being made by representatives of the shelling industry to the effect that growers should use the CCC loan program only as a last resort. Since 1991, the loss sharing provisions of the loan program have provided more than enough incentive for producers to avoid using the loan except as a last resort. Producers are constantly reminded of that fact as can be evidenced by picking up just about any peanut publication issued since 1991 that offers peanut marketing advice. Also, a good case can be made that any discount provision for quota loan advances is equivalent to reducing the quota price support rate.

In conclusion, I want to express my appreciation to this committee for providing an opportunity to comment on issues that have been raised regarding the peanut program. With the increasing concentration of the peanut shelling and manufacturing industries and with increased exposure to the uncertainties of the world market, a peanut program that protects the livelihoods of the growers and the economies of their communities will continue to be very important.

Thank you.

Mr. ROSE. Thank you, sir.

Mr. Jim Reichardt, Dothan Chamber of Commerce.

[The prepared statement of Mr. Miller appears at the conclusion of the hearing.]

STATEMENT OF JIM REICHARDT, PRESIDENT, DOTHAN AREA CHAMBER OF COMMERCE, DOTHAN, ALABAMA

Mr. REICHARDT. Thank you, Mr. Chairman.

I am Jim Reichardt, president of the Dothan Area Chamber of Commerce, a business organization that has served the Dothan/Houston County area for 75 years. We exist to advance the commercial, industrial, civic, agricultural, and general interests of our citizens and to address issues at the local, state, and national level that may affect balanced economic growth. We currently have 1100 members.

Dothan/Houston County is one of the 10 counties that comprise the sixth agricultural reporting district in Alabama, a district that produces 97 percent of the peanuts grown in the state. The other counties are Barbour, Coffee, Covington, Crenshaw, Dale, Geneva, Henry, Pike, and Russell. In this 10-county region, some 10,000 persons are employed in agriculture, and approximately 2600 of those are peanut farmers.

Each of those 2,600 peanut farmers employs the equivalent of two additional full-time employees, accounting for at least 7,800 farm jobs created by the peanut program. Using the conservative multiplier of 2.5 from the University of Georgia, this means an additional 19,500 jobs for a total of almost 27,300 jobs created in Alabama by the peanut program. According to Auburn University (based on 1990 data), the loss of one job in the production of peanuts results in the loss of 3.29 jobs in the Alabama economy.

Peanuts are a leading cash crop in the state of Alabama. Alabama consistently ranks second or third in the nation in peanut production. In terms of dollars, the loss of each dollar in peanut production results in the loss of two additional dollars to the Alabama economy. In 1992, the last crop year in which there was no drought, the Dothan trade area produced \$180 million worth of peanuts, which translates into an overall \$700 million economic impact on the region. When the peanut production figures of Georgia, Florida, and South Carolina are factored in, the economic impact approaches an impressive \$2.4 billion.

My reason for testifying this morning is to establish the importance of the peanut industry to the economy of southeast Alabama, and, in the wake of concessions already made in the NAFTA and GATT documents, to voice, on behalf of the Dothan Area Chamber of Commerce, my opposition to any further attempts to dissolve the peanut program. I cannot state too often or too strongly that agriculture, and particularly peanuts, play a major role in the economic well-being of southeast Alabama.

With over 225,000 acres in production, the southeastern most counties of Alabama produce over 300,000 tons of peanuts annually. Some 50,000 tons, representing \$40 million, are sold for consumption outside the U.S. Indeed, over half the peanuts in the United States are grown within a 100-mile radius of Dothan, Alabama. When Alabama peanut production is combined with that of Florida and Georgia, the tri-state area produces nearly 65 percent of the nation's supply.

Because of the success and soundness of the peanut program, we have avoided the recessionary effects experienced in other parts of the country. Even though this area also enjoys a certain industrial diversification, peanuts, nevertheless, still determine the economic health of our region and that of sister communities in our nearby geographical area.

For example, the following industries are directly dependent upon the peanut industry: shelling, transportation of peanuts and peanut by-products such as skins and shells; processing peanuts into seed; storage of peanuts; processing of peanuts into food items; and crushing peanuts into oil and meal.

Yet another industry that would be hard hit by the dissolution of the peanut program is retail trade. Dothan serves as the metropolitan statistical shopping hub for a 50-mile radius, a fact borne out by retail sales of \$1.1 billion in 1992. Retail trade supports well over 1,200 firms and employs almost 10,000 persons in the Dothan area alone. Without the solid foundation of the peanut program, the retail industry in the tri-state area would be devastated.

The Dothan Area Chamber of Commerce is concerned about the direction of this country's domestic economy, especially as it relates

to agricultural policy. At a time when corporate America is suffering from massive layoffs due to defense cutbacks and company downsizing, Congress should not be pursuing a strategy that will reduce jobs of any kind. The Congressional Budget Office has already released information showing that the peanut program does not cost taxpayers a dime; in fact, it will save the government money under GATT. While there may be certain economic gains associated with the dissolution of the peanut program, many of those short-term gains will be offset by long-term job losses and economic disaster in southeast Alabama.

The Dothan Area Chamber of Commerce supports fair trade practices but not so-called free trade practices that will severely undermine the economic stability of one region of the country. Therefore, we urge our government leaders to utilize objective economic impact analyses as a basis for the adjustment of any federal program involving agribusiness.

Thank you for your consideration.

Mr. ROSE. Thank you, sir.

Mr. Lester Killebrew.

[The prepared statement of Mr. Reichardt appears at the conclusion of the hearing.]

**STATEMENT OF LESTER KILLEBREW, PRESIDENT, HENRY
COUNTY FARM CENTER, INC., ABBEVILLE, ALABAMA**

Mr. KILLEBREW. Chairman Rose, it is an honor for me to appear before you today. I appreciate the opportunity to express my observations on the state of our industry and how it is affected by farm legislation. I would also like to take this time to thank you and Congressman Everett for the fine job that you do for the people of our country and this region. I will attempt to give you a prospective as a small businessman in the heart of the peanut belt.

To give you a brief background, my family has a history of 41 years in the farm equipment business. I have personally owned a John Deere dealership for the past 25 years. I also operate a small peanut farm.

Agriculture and related agribusiness is cyclical by nature, but a change in the structure of the peanut program would be very dangerous to our continued stability as farmers and agribusiness people. About the only peanut farmers that are profitable, even with our present program, are those family farmers who own land, have accumulated equipment over many years, and are the very best managers. If you looked at this from a return on investment standpoint—and you know these farmers have a huge investment in their operations—these are not doing real well either. But with present quota prices our best managers can realize a reasonable profit during normal crop years, but they cannot realize the profitability they need to overcome short crop years without a lot of sacrifice. Without the farm crop insurance program we would not have survived the last three years.

According to Dr. Robert Taylor, ALFA Eminent Scholar at Auburn University, there is another structural issue that we should consider with a change of the peanut program. Dr. Taylor says that "With elimination of the program, many think that peanuts will quickly go to contract production, much as we have in the poultry

industry . . . we are evolving to where only a very few companies worldwide control much of the global trade in agricultural products." We cannot store peanuts like we do corn, soybeans, wheat and cotton. We are at the mercy of the buyer. With a contract production system, those actively engaged in agricultural production have little market power, while a few companies have considerable market power. As a result producers could be economically squeezed.

Dr. Taylor also says—and Chairman Rose, this is something you brought out a minute ago, but I will reinforce it,

Various USDA, GAO, and University studies have estimated that elimination of the program would increase food consumer benefits by about \$1.50 per person annually. But given the imperfectly competitive nature of the processing industry, it is doubtful that all of this would be passed on to people who actually consume peanut butter and candy bars. Thus, impacts of the program elimination on food consumers would be quite small.

All of this affects agribusiness in many ways but it can best be expressed by Dr. Taylor's economic analysis. According to Dr. Taylor, the elimination of the peanut program would reduce net agricultural income in just this immediate area here in southeast Alabama by \$195 million annually. The total income multiplier for the peanut sector in this region is 3.97. Now I know this multiplier varies depending on different studies from maybe 3 to 5 or 6. Thus, the full impact of the program elimination on total income in the area would be around \$775 million annually. This would approach \$4 billion if you looked at the Alabama, Georgia, and Florida Region.

Based on University of Georgia studies, we can say that there are well over 200,000 people in just this region whose livelihood depends on agribusiness and the peanut program. With a change in the program, the increase in unemployment and in welfare rates could be a great cost to our government.

We and other farm suppliers would have to reduce our work force by thousands of jobs creating a loss of tax revenue to all levels of government. This would so profoundly impact agribusiness that an alarmingly large number would have no choice but to file bankruptcy.

Looking at the facts the way I see it, we just need to fine tune this peanut bill and continue the present structure. Our present bill works for everyone concerned. It allows the good farm managers to survive, it gives the consumer a quality product at a reasonable price and properly managed, it can be very cost effective to the government.

It is essential that this program be continued if our peanut belt farmers, agribusiness people, and this rural economy is to survive.

Thank you very much.

Mr. ROSE. Mr. Mitch Head, President of the Adult Peanut Butter Lovers Fan Club.

[The prepared statement of Mr. Killebrew appears at the conclusion of the hearing.]

STATEMENT OF MITCH HEAD, PRESIDENT, ADULT PEANUT BUTTER LOVERS FAN CLUB, ATLANTA, GEORGIA

Mr. HEAD. Thank you, Congressman.

Mr. ROSE. Please explain to me what that is.

Mr. HEAD. Yes, sir. We are a consumer organization and I am here representing thousands of consumers across the country. It is a 60,000 member strong group, people pay dues to join it and they have one single interest—and that is quality peanut butter. So that is who I am representing here today. And I also realize I am the last obstacle between this group and lunch, so I am going to try to make my remarks fairly brief.

American consumers care about what we put into our mouths; we care about what we put into the lunchboxes that we give our children to go to school. American consumers want good quality, disease-free, nutritious foods like peanut butter. We do not want diseased products, we do not want defective products no matter how cheap they are.

I have brought with me today a survey of our members and over 2400 people have written to you to indicate their interest in keeping the peanut program the way it is. These consumers come from all 50 states and they want an end to the rising tide of imported peanut butter, which they think is perilous not only to the peanut industry, but to their health and safety as well. If you will allow me to, I would like to deliver these and make them a permanent record of the record today.

Mr. ROSE. Give them to Mr. Everett and he will answer them.
[Laughter.]

Mr. HEAD. Over 2400 people have written to you indicating their interest in keeping the peanut program the way it is because they know that 99 percent of this imported peanut butter is not inspected by the government, not subjected to the same rigorous testing that American grown peanut butter is. Worst of all, most of this imported product is disguised in products as ingredients. And although we have just passed a great nutrition labeling program where you can go into the store and find how much fat your product contains, how much salt, how much sodium, you have no idea where those peanuts were grown that are in that snack cake or that candy bar. It might have been grown here in the U.S. or it might have been grown in China.

Mr. ROSE. Well wait a minute. Let me interrupt you. If I go buy some orange juice at the store, it says "May contain orange juice from Florida or Texas or Brazil." You mean, we do not have that for peanut butter?

Mr. HEAD. No, sir, and it is deceptive to the American consumer who wants to make an informed choice. And it is a shame that we have just got this great nutrition labeling program where we can find out everything else about what is in that candy bar or that snack cake, but you do not know where that peanut was grown. And consumers would like to have that choice and be able to make an informed choice, and I guarantee you, most of them would choose American grown peanuts, if they could so choose. Now while these products might be slightly cheaper than U.S. peanut butter, most American mothers will tell you they would not take it for free if they knew where it was grown and under what conditions it was grown.

American consumers are getting a pretty good deal with peanut butter. We talked a little bit about price earlier. Right now, accord-

ing to the government statistics, a serving of peanut butter only costs 12 cents, which is the same as it cost 4 years ago. There are not too many products you can say are the same price today as they were 4 years ago. In addition, that means that you can make two peanut butter sandwiches for less than a postage stamp to mail a letter—two peanut butter sandwiches, again a terrific deal for the consumers.

And despite mother nature's devastation that has been wrought here in the peanut area in the last couple of weeks, consumers are thankful that they will not see a tremendous skyrocketing price at the supermarket for peanut butter, thanks to the peanut program and the stabilizing effect that it has, both on the supply and on the price.

Now in conclusion, being here in the great state of Alabama where peanuts are king, I would be remiss if I did not recognize the accomplishments of Dr. George Washington Carver, who not only taught but practiced agronomy right here in this region. In doing some research, I was amazed to realize that 73 years ago, Dr. Carver himself testified before a Congressional committee just like this. And what he did to that committee was he asked them and pleaded for an increase in the tariff for imported peanut products.

He said in his testimony—and I got a copy of it—he said, and I quote, "The peanut is one of the greatest products that God has ever given us. Sometimes you have to protect a good thing. We could not allow other countries to come in and take away our rights from us."

Well he was a wise man, and Congress saw fit to protect America's agricultural interests at that time. The peanut program does that today, and we ask that you do all that you can to ensure its continuation, not only for the farmers and the industry, but also for the consumers of this country.

Thank you.

[The prepared statement of Mr. Head appears at the conclusion of the hearing.]

Mr. ROSE. Thank you very much.

I would like to start by asking you a few questions, and that is to please—first not a question, but please let my staff know where we can get up with you and know more about your organization. Next time we will put you at the first of the hearing list, not the last because we—

Mr. HEAD. We are at the end of the food chain, so it is probably appropriate.

Mr. ROSE. Well, but that's beside the point, we could use your help in Washington talking to a lot of people, maybe putting on a reception or some of the things that—

Mr. HEAD. We would be happy to do that and our group is about 6 or 7 years old and we are happy to work wherever we can to provide and ensure quality products to the American consumer.

Mr. ROSE. And these Adult Peanut Butter Lovers Fan Club, these were solicited over what period of time?

Mr. HEAD. Just in the last three months or so. Actually when the International Trade Commission began its investigation—

Mr. ROSE. Right.

Mr. HEAD [continuing]. We decided that was an issue that our membership should have a point of view. And so we asked them 2 simple questions. We said do you want more imported peanut butter or do you not. We paid for the postage, all they had to do was mark one way or the other and put their comments and put their name and address. And 97 percent wrote back to us and said that they did not want any more imported peanut butter, and even the 3 percent that said they did, did so under a free trade basis as long as we provided country of origin labeling so they could make an informed decision. They did not want to buy it, but they thought it might be fairer.

Mr. ROSE. We are going to go back and look into why labels do not say where the peanut butter is from. I think that would be very important to let people know when they are eating Chinese peanut butter.

Mr. HEAD. I do not think there would be very many of them actually eating it, do you?

Mr. ROSE. I do not either, I agree. Thank you very much.

A couple of quick questions. Any of you that want—maybe Mr. Powers could start—are you all in your organizations putting together any estimates of what kind of damage you think has occurred in Georgia, Florida and Alabama to the peanut crop, or is it too early to tell?

Mr. POWERS. Congressman, it is not. You have all of the agency estimates that are out there now, and they run up, you know, from \$20 million to \$100 million, to whatever. I would put forth to you that the real economic damage we will not know until we get on down to harvest, because the weather that you see right now is preventing any kind of field drying, any kind of field work, any kind of crop care whatsoever. So while there is devastating losses right now—and I have got the numbers from the agencies, and they give the counties, Robert Spring with ASCS I think has put this out and put it up to Washington—but there is going to be continued damage beyond what is in these numbers right now.

Mr. ROSE. We need to get some copies of that.

Mr. POWERS. I will give you a copy of that.

Mr. ROSE. Anybody else want to take a shot at that? Lester?

Mr. KILLEBREW. I would just like to say that the damage is not limited to the reduction in yields on the crops either, because we have just got so many washes and gulleys and top soil washed away that we are going to reap the damage from this for years to come. It is not going to be something we can overcome just this year.

Mr. ROSE. Well we are very hopeful and do believe that your Senators and others will be working with the ag appropriations bill that is now going into conference in the Senate, to add some money for disaster relief, so that we can get that money appropriated before Congress adjourns later this year. And one of the questions, of course, is going to be how much damage has been done, what do we know of. USDA will, I am sure, very soon be asked to start coming up with those figures by members of the Senate Agriculture Committee.

Mr. Ventress, just a quick question. Maybe I did not remember it right, but you were talking about you were fine with any quota

support level as long as it was—did you say market acceptable, or what term did you use?

Mr. VENTRESS. I think I said that it was fine as long as it does not meet consumer resistance in the marketplace.

Mr. ROSE. Now how would you know when it had met consumer resistance in the marketplace?

Mr. VENTRESS. Well to me, if you look at stocks and processing, the consumption of peanut butter; if the consumption of peanut butter is stable and growing, then I think that is consumer acceptance.

Mr. ROSE. That has been happening in recent years?

Mr. VENTRESS. It has been until about the past 12 months.

Mr. ROSE. And do you have any personal opinion as to why that has happened?

Mr. VENTRESS. No, I do not.

Mr. ROSE. Okay. And you made some comment about passing savings on to the housewife.

Mr. VENTRESS. I do not think I made that comment.

Mr. ROSE. You are right, that was my question to ask you. [Laughter.]

What do you think about any mechanism to pass savings on to the housewife? I mean is that not the true test of market acceptance, is that the housewife, the consumer, buys more?

Mr. VENTRESS. I think you are exactly right, Mr. Chairman.

Mr. ROSE. So if we do have any reduction in any price support level, we certainly ought to do everything we can—and I am not suggesting that we have to or will, I am just hypothetically saying the idea situation would be one in which those savings were passed on to the housewife, so that there would be more consumption.

Mr. VENTRESS. Right. And I am not suggesting a price cut either, but I agree with you that it would be ideal if there were one, that it did get passed on to the housewife.

Mr. ROSE. Okay. See, the real question, and Mr. Head, you listen to this too, because the fight here—let us say the discussion is going to be which comes first, the chicken or the egg, which comes first, advertising the peanut butter products or you cutting the price supports so we can advertise more and then sell more. Well that is an interesting concept.

Mr. Head.

Mr. HEAD. Mr. Chairman, I would like to say that I think we looked at just recently actual consumption in the U.S. has stabilized. The reason that stocks and processing numbers are going down and the quota is going down is because of these imports, which are displacing quota peanuts. So the consumption is actually the same. So we do not believe price is the issue, we just think it is just a matter of displacing one with the other.

Mr. ROSE. We tend to look at the data the same way and believe that what we need to do is make sure we do everything we can to stop the inflow of imported butter.

I am going to quit talking here. There are some others I could ask but we are getting behind schedule.

Mr. Everett, any closing questions?

Mr. EVERETT. Yes, sir, and let me just take about 60 seconds to—I am sure everybody knows the history of how the 2nd District of

Alabama got to be such a producer of peanuts. Since I am from Enterprise, let me mention that we have the only statue to an insect in the world over there, to the boll weevil. And that came about because the boll weevil devastated the cotton crop, as many of you know, and this fellow there in Enterprise went out to Texas, of all places, and brought some peanuts back and started planting peanuts and we know the rest of the history from there.

Camp and Alan, I would—I was particularly pleased to see your figures on the average income that our farmers make. You know, we hear all this about these rich peanut farmers. If that is so, then why are we losing about 10 percent of our peanut farmers per year, which we are, you know, on a consistent basis.

In addition to that, Alan, I was wondering if you would like to expand a little bit on this Wiregrass area, the unrelated or directly unrelated jobs that are created by peanuts?

Mr. MILLER. I was hoping to get in on this other debate about passing the support price reduction along to consumers.

Mr. ROSE. Go ahead.

Mr. MILLER. I do have a comment on that. Like I had said earlier, I attended the Peanut Research and Education Society meeting in Tulsa last week, and we had presentations by a representative of the American Peanut Product Manufacturers, Inc. And he was surprisingly blunt in indicating that the interest of manufacturers was in reducing their raw product price so as to improve their operating margin—nothing to do with lowering the cost for the consumer. So I thought that was an excellent point.

Please repeat your question.

Mr. EVERETT. What non-agriculture related jobs are created in this Wiregrass area because of our agribusiness and our peanut business, farm business?

Mr. MILLER. That gets back to the discussion about economic multipliers and basically what a multiplier looks at is, if you start at the farm level and look at all the value-added activities that we have in this area, what does that do to add to the value that you started with at the farm level. I think that we have a significant value-added activity in peanuts in terms of things like storage and warehousing, blanching, and processing. So that I think the point is well taken that that employment is extremely important to this area. We can argue about what exactly the multiplier is, but the fact is that you are going to end up with a large impact.

Mr. EVERETT. In other words, a folks that do not realize that the peanut industry affects them directly and their jobs directly probably ought to rethink it.

Mr. MILLER. That is true. A lot of times we think in terms of just the things that happen once the peanuts leave the farm, but look at all the things that happen before the peanuts are ever produced. The supply industries and the like, the guy that works down at the co-op. So there is a lot of impact.

Mr. EVERETT. Manning, what would happen to a town like Ashford if the peanut program would disappear?

Mr. SANDERS. A town like Ashford—and there are a lot of small communities in this area—would basically shut down. We are almost totally dependent on agriculture, and specifically the peanuts.

Mr. EVERETT. We have a lot of those town, Mr. Chairman, in this area and I think Camp, you mentioned you were from Louisville, and I see Mack Peele out there from Louisville also—we have 2 major cities in our entire district, Montgomery and Dothan. And some just a little larger than that, but outside, we are a district of real small communities that depend, from Pike County downward, on agriculture and particularly on the peanut crop.

Mr. ROSE. Can I hop in a minute?

Mr. EVERETT. Yes, sir, please do.

Mr. ROSE. I thought we were running out of time, but then I forgot to set my watch back an hour. [Laughter.]

We will not use all the hour, you understand, but in a small town, Mr. Sanders, if it were to dry up or if it were to seriously damage the already fragile economy of a small town, you would see small businesses close—give me kind of a catalog.

Mr. SANDERS. Well you would—

Mr. ROSE. Grocery stores, would they—there would be fewer of them probably.

Mr. SANDERS. Right now, you know, I think as Camp alluded to, the small town businesses are fragile now, but you would see the grocery stores close, you would see the banks close, you would see the co-ops close. Basically everything in a town the size of Ashford, which is a couple thousand population, would close. It is tied almost 100 percent to agriculture production or the jobs that are produced, which is the co-op, the grocery stores, all the way down to the dry cleaner almost.

Mr. ROSE. And I know this would vary from town to town, but that would obviously have a great impact on law enforcement, fire protection, health services.

Mr. SANDERS. Education.

Mr. EVERETT. Education, everything in the community. I think these are incalculable costs that we have got to find a way to show to people in a more graphic way. We do not do a good job of communicating that to our colleagues in the Congress. Some of you all put your thinking caps on and help us find a way to represent that somehow graphically.

One of the questions I wanted to ask you and Mr. Powers was, your loans are worth a lot less based on farms and their equipment and their land, if there is no peanut allotment, is that not true? In other words, the peanut allotment itself adds a substantial value to your collateral, is that not a factor?

Mr. SANDERS. It does. We have a program that works and it has generated a value system. It hits the land, it hits the quota peanuts, but without that we would have—you know, the value is based on the ability of the entity to generate profits, and if it is not generating profits, there is basically no value other than large investment long-term value.

Mr. POWERS. There would be just a total washout of any income generating ability that would service the debts that would be remaining if the peanut program was just automatically pulled out. Because even though you pull out the income part of it, the debts that have been tied to it would still be there, so there would be nothing to service those debts. So then you would get just kind of

a snowballing effect running down hill of the value of assets, trust, savings, everything else just gone out the tubes.

Mr. ROSE. You want to jump back in.

Mr. EVERETT. Yes, sir, I wanted to ask Mitch—do you want to describe some of the health reasons that the average housewife might want to know where their peanut was made?

Mr. HEAD. I think the main concern that American consumers want to know the difference is because we have found, and consumers are aware that FDA does testing, a limited amount of testing on imports and I think, for instance, I think the last year they were able to do that, they tested 26 samples of peanut products that were imported out of all of them that were imported. But even that, 12 percent of those failed to meet the standard for imports because they contained chemical residues that were not registered for use in the United States, which means they are banned for use in the United States. So that is a concern that a consumer might have about any imported product, what kinds of chemicals are used in other countries that might not be allowed here. And certain aflatoxin and other quality concerns are at issue as well.

Mr. EVERETT. That means that we are holding the American peanut farmer to a different standard than we are holding those peanut farmers who import into this country?

Mr. HEAD. That is true, and the consumer ends up sort of the victim as well as the peanut farmer.

Mr. EVERETT. Are you aware of any peanut-based products or peanut products that have been taken off the shelves because of that?

Mr. HEAD. There was a case I believe within the last year or so that was imported from Argentina where I believe the Department of Agriculture in Georgia actually had it pulled from the shelves because of aflatoxin that ran about 40 parts per billion or about double the level allowed by the FDA.

Mr. EVERETT. Let me ask you about—do you have any idea what the figure is on how much a farmer gets from a jar of peanut butter?

Mr. HEAD. I believe, and this is an estimate, around 48 cents or so out of about a \$2 jar, roughly.

Mr. EVERETT. About 46 cents. Do you know if there is a difference made between a generic brand or a brand name, are they both the same?

Mr. HEAD. One of the nice things about peanut butter is we do have a standard of identity, a product has to meet a certain standard to be called peanut butter. That means it has to have at least 90 percent peanuts, it has to have a certain grade of peanuts and all the rest. So one of the great advantages that our consumers have is they can buy generic peanut butter about 20 percent cheaper than they can branded, national brands, and qualitywise, it is the same as long as it is grown here in the U.S.

Mr. EVERETT. Mr. Chairman, you know, it just puzzles me why American farmers are held to a higher standard as far as health is concerned. They are expected to pay a certain wage and yet they are also asked to compete against slave labor and products that are not held to the same standards that they have to keep their product held to.

Mr. ROSE. I think that is a major problem and I think if Mr. Head and others of you can help us gather up some information on the standards or the lack of standards that exist on imported peanut paste from Argentina and from China, that we can take a fresh look at that. Of course, we know what standards the American peanut farmer is held to.

All right, any other comments?

Mr. EVERETT. I just want to jump in and say to Jim, you mention in your testimony that while there may be certain economic gains associated with the doing away of the peanut program, I might suggest that probably there are more political gains for some people than true economic gains.

Mr. ROSE. All right. I do not see any immediate new questions here, I think we have covered it pretty well. I want to thank all of you for your testimony and for being with us today. This is a subject that we need to revisit again and again and again before we strike out on getting ready for the 1995 farm bill.

Are there any closing comments that you all would like to make?

[No response.]

Mr. ROSE. Okay. Are there any closing comments that anyone in the audience would like to make before we adjourn this hearing?

[No response.]

Mr. ROSE. All right. Well it is good to be in your—

Mr. EVERETT. Mr. Chairman, before you end, let me just say once more how much I appreciate how quickly you responded when I asked you to hold this hearing in the district, and I also want to let people, my constituents, know that you have been a champion of the peanut program for years and years and that you have supported us in every way that you can and I will again say that I am personally grateful that you agreed to come down and hold this hearing here in my district and in Headland. Thank you.

Mr. ROSE. You are welcome, it is good to be here.

Mr. Mobley.

Mr. MOBLEY. Let me just say in closing we appreciate, from the peanut farmers standpoint, you coming down here and taking your time being here, you and Congressman Everett, and listening to what we have to say. Thank you again.

Mr. ROSE. Thank you. If there are no other comments, this hearing stands adjourned.

[Whereupon, at 12:55 p.m., the Subcommittee was adjourned.]

Testimony for Field Hearing- PEANUTS

July 18, 1994

by: Don Wambles

Gentlemen and distinguished members of the Subcommittee. I thank you for this opportunity to speak to you on behalf of peanuts.

My name is Don Wambles and I live and farm in Pike County, Alabama. My farming operation consists of 1400 acres of which 355 acres is in peanuts, the remainder is cotton, beef cattle, and grassland.

I would like to start my comments by saying agriculture is the backbone to our Nation, and is especially so for Pike County. The peanut industry is the mainstay for Pike County Agriculture. We plant 20,000 to 21,000 acres of peanuts each year. These peanuts are worth 14-16 million dollars to the farmers. Local economists tells me that each dollar generated from farmer stock peanuts will turn over seven times in our local economy. That means that our peanuts have an economic impact on our community over \$100 million. The population of Pike County is 27,486. This economic impact equates to over \$3638.00 for every man, woman, and child in Pike County.

The peanut industry touches many more in our society than just the farmer who grows the peanuts, and the sheller who buys them from the farmer. Of course, there is the farm equipment dealers, and the agricultural supply dealers, but the car dealerships, the hardwares, grocery stores, doctors, banks, and many other businesses that you do

not think of as being affected by peanuts. Let us have a short crop and these businesses will be some of the first to tell you that when the peanut farmer has a short crop they can tell it in their business.

One other segment of society that is touched with a successful peanut industry is education. Local funding for education comes in the form of taxes, usually property tax or sales tax, most commonly a combination of both. The more dollars being spent in a local economy brings in more dollars for education through sales taxes. A good, stable peanut program, one like the one we now have also insures that property values will not diminish drastically over a short period of time. Without the assurances of the current peanut program, the dollars education receives from property taxes would be very much in jeopardy due to the threat of decreased property values.

For the peanut farmer of today to remain in business and for our children to be able to continue in production agriculture it is essential for us to have farm programs that work like the peanut program and gives the farmer some assurance if he can produce the crop, which is not guaranteed with the many weather perils of today. The costs of farming today are so great, that we need to know what to expect in the way of farm programs. We need to know long term, before we invest in piece of machinery that costs \$40,000.00 and can only be used in a peanut field.

It is very important that we have a program with a price support element, one that addresses domestic and export peanuts, quota and

non-quota, one that does not allow transfers across county lines, and one that assures that any imported peanuts meet the same quality standards as those domestic peanuts are required to meet. As you can see this is what we have today. The current program is working for the peanut farmer and the consumer. I realize that we might have make a few minor adjustments. The one major change needed in the current program is: we need a no net cost program to the government. It is my understanding that the National Peanut Growers Group has come up with a proposal that will do just that.

In closing, I want to ask you to look favorably upon the current peanut program with a no net cost clause and encourage your fellow comrades in Congress to do so also.

Statement of Ricky Wiggins

Good Morning. I'm Ricky Wiggins, and I, along with my father Gene and son Russell, farm 500 acres of peanuts and 2000 acres of cotton in Covington and Escambia counties of Alabama.

My wife Sharron and I have 4 children, 1 boy and 3 girls, ranging from 20 years down to 13 years. We derive our income from the land. Sharron is a homemaker and does office work for the farm.

We have been growing cotton since 1985 and it has been good to us at times, but peanuts are the stabilizing factor on our farm as it is on almost every other farm in our area. There is between 13 and 14 thousand acres of peanuts grown in Covington County.

I am 44 years old and have grown up with the peanut program. As you all know, it has not always existed in the form as it is today. I have seen a lot of changes and I expect to see more. But over the years the peanut program has evolved into a good program for all concerned. It works. It provides the potential for a reasonable profit to the producer, a stable supply of quality product to the consumer at a reasonable cost, and it costs the taxpayers little if any money. That is a good program.

How did such a good program come to exist? It came from good people working together for the good of the country. I've always felt that the more reasonable people in Congress seem to be on the Ag committees and I know you have good people to work with here in Alabama.

Nothing is perfect. I'm sure we could stand some small changes in the peanut program. But to make wholesale changes to something that has worked so well could be disastrous for the Southeast. Changes should grow the industry and not be at the expense of any one group.

I am a cost conscious person and if the peanut program was expensive it would be difficult for me to stand before you today speaking in favor of it. One of my concerns here is crop insurance and ad hoc disaster programs. We need crop insurance as a business tool. But I am aware of abuses to that program and especially disaster programs. I would be in favor of a good crop insurance program that would be made available to all producers at a reasonable cost. Do away with disaster payments. Severe penalties need to be in place for abusers and there needs to be provisions to solve the problem.

If this were the case each producer would be able to hedge against disaster if he decided to pay the price. If he did not elect to pay for protection he would have to face the consequences. That would be a business decision.

In closing, I would just like to say thank you to each of you for taking the time from your busy schedule to come down here and listen to us today.

**FLORIDA PEANUT PRODUCERS ASSOCIATION**

P.O. Box 447, Graceville, Florida 32440
(904) 263-6130 or 6210

Member
Peanut Advisory Board

**STATEMENT OF JEFF CRAWFORD
PRESIDENT OF THE FLORIDA PEANUT PRODUCERS ASSOCIATION
FOR FIELD HEARING IN HEADLAND, ALABAMA
JULY 18, 1994**

Thank you Chairman Rose, Congressman Everett, peanut industry representatives and special guests. I am Jeff Crawford, President of the Florida Peanut Producers Association, an organization that represents Florida's 1400 peanut growers who produce 85 to 90 thousand acres of top quality peanuts. We appreciate your allowing us to make comment here today.

Mr. Chairman, only a short time ago, 1989 in fact, we were here discussing the same subject, the future of the Peanut Program. Each time peanut producers gather to discuss the program, we invariably hear the phrase, "The Peanut Program is not broken and only needs fine tuning." As repetitive as this may sound, this is the position of the Florida Peanut Producers.

One aspect that is different as we approach the 1995 Farm Bill is that many groups in our industry want to be a player in writing the peanut portion of the Farm Bill. These groups have diverse ideas as to what is needed to improve the Peanut Program.

As the debate begins, let us remember that change for change's sake is not always good and could, in fact, undermine our very purpose.

For example, the suggestion that anything less than 100 percent of support price be advanced on quota loan. While this may seem to answer one problem, it presents another, in that it could lower the support price. Another suggestion is to allow spring transfer of quota across county lines. While this could be viewed as a means to improve quality and reduce loan losses, we must be careful that we do not create a climate that results in losing jobs, closing small businesses, and lowering the tax base in our rural communities. Also, while some small farmers could get larger, large farms could get even larger, pushing small farmers out of business because they could not compete. Moreover, this idea almost assuredly guarantees higher quota rent, which further erodes grower profit.

Another idea presented to spur competition is to lower quota price. I can assure this distinguished panel that the price of quota peanuts received by Florida peanut producers needs only to be relative to our production costs. If the authors of this idea can guarantee that production costs will be lowered to the same degree that the quota price is reduced, we in Florida are ready to enter into serious discussion concerning quota price.

There are areas of the peanut program which can be addressed. First, the minimum level of quota may need to be lowered to allow the Secretary to set the National Quota Poundage level at an amount more in line with consumption, this will also lower program costs. Secondly, the level of undermarketing could be adjusted to more accurately reflect the actual demand for quota peanuts. Thirdly, although spring transfer of quota may present more problems than it solves, fall transfer of quota across county lines could be used to improve the delivery of a higher percentage of quota in a short crop year. Lastly, the idea of a "no net-cost program" should be seriously addressed. Discussion on this point has already begun and can be adequately addressed by the growers themselves.

Mr. Chairman, I am confident that this panel, with other members of the Specialty Crops and Natural Resources Subcommittee will again present meaningful legislation to Congress that will allow the American Peanut farmer an opportunity to make a reasonable profit, while providing the American consumer an ample supply of the very best quality peanut products at a reasonable price.

Thank you again, Mr. Chairman, for allowing us to make comment here today.

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Statement of Gerald Crowley

My name is Gerald Crowley. I grow about 275 acres of peanuts in South, Central Houston County, Alabama. My home is near the small town of Cottonwood.

Others here today have testified about the impact any significant change in the peanut program that would lower income to the producer will have on the industry and area economy as a whole. I want to be more personal and tell you the impact such a change would have on me and I believe thousands like me across the Southern tier of these United States of America.

We bought land and machinery by assuming a large debt, the repayment of which was predicated on the stable and, for the good manager, moderately profitable peanut program. As land, labor, equipment and other input costs rached upward with double digit inflation of the Seventies so did debt, made worse in 1980 by a devastating drought and interest rates that went as high as 22% in 1981. Those who survived that period were left with more burdensome debt and little more than the ability to hang on during a time of generally poor farming profits, and more bad weather in 1990 and 1993. In our area the peanut program has been our only hope.

The present program may be restructured. Our indebtedness and the impact that has on our lives in most cases cannot survive drastic restructuring.

Imagine with me for a moment that you've planned a trip across the ocean in a vessel that will accomodate your worldly possessions. Imagine further that your life's hopes, dreams and aspirations on the distant shore are based on your safe arrival with those possessions intact. As you sail suddenly your ship is torpedoed and you are left with the choice of what must go overboard. Such is the choice we peanut producers may have to face. Will it be our retirement, our childrens' education, our farm or even our home. How can a middle-aged person survive the trauma of such events, not to mention having to find the courage and

means to start over. Abolishing or drastically altering the peanut program will bring chaos to producers, their families and the communities of which they are a part.

Let me say to all who will listen and hear: The peanut program works; it works for the producer, it works for the local economies and it works for the consumer. I produce a high quality, nutritious product at a reasonable price for this nation and the world. Furthermore, I'm not presently on welfare and don't want to be. I pay taxes, create jobs and I've helped two of my four sons get college degrees. I hope I'll survive to help the other two that are younger.

I've presented my views in a very few minutes, but the picture I've tried to paint, I hope, shows the impact a stable, profitable crop has had on my life and the lives of my family and fellow producers. I hope you can empathize with me as you imagine my worst fears - no peanut program. I cannot pay for food, clothing, shelter, medical care, education, etc. if I can't make a profit.

Fine tune the peanut program where needed, but leave the basic, stable structure as it is or else I and many others like me will find ourselves trying to salvage our lives after being torpedoed by a diminished, unprofitable peanut economy.

TESTIMONY BY BILL VENTRESS
PRESIDENT, SESSIONS COMPANY, INC.
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE OF AGRICULTURE
SUBCOMMITTEE ON SPECIALTY CROPS AND NATURAL RESOURCES
HEADLAND, ALABAMA
JULY 18, 1994

I am Bill Ventress, President of Sessions Co., Inc. I appreciate your invitation to address this committee.

Sessions is a "sheller"; we buy peanuts from growers, shell them, and sell them to peanut product manufacturers. While we are members of several peanut organizations, the views expressed today are my own.

The peanut program has existed in different forms since the 1930's. I still visit with people who remember the harvest of 1931 when peanuts fell from \$75 to \$25 per ton during harvest and farmers could not pay their loans at the bank. The stability provided by the peanut program has been an important factor in the economic development of the Wiregrass. This stability becomes particularly important in times of natural disaster such as we have just experienced over the past few weeks.

Over the course of those years the program has seen various changes that addressed problems of that day. Although some solutions were better than others, the program has operated with very little cost to the government in most years. While the direct benefits have accrued to those who grow peanuts, other agriculture related businesses such as shellers and farm suppliers have realized indirect benefits over the years. During most of that time, manufacturers have enjoyed a stable source of raw materials with improving quality each year.

I would like to address some areas of the program that should be considered in formulating a continuation of the program after 1995.

I believe it is critical to examine the price support program in the context of the historical basis of the program. For many years, the support price established a price above the world market that would enable growers to produce a safe, wholesome and nutritious product. It is not the intent of the loan program to provide a primary market, but to serve as a safety net for the successful operation of the peanut program. We should encourage movement of peanuts to the grocery store shelf. Increased consumption from the grocery shelf results in lower government costs.

In the past few years, most growers have produced the needed safe and wholesome product at the support price. It is my recommendation that the only peanuts that should be eligible for CCC Loan are those peanuts for which there is no commercial offer at the support price within a reasonable distance. This would diminish the peanuts going into Loan and therefore, the possibility of government loss. I believe this change would also help to provide a reasonably priced supply to manufacturers.

There should be some mechanism to assure the timely and orderly movement of more quota peanuts during periods of growing demand or supply shortage. As a sheller, our goal should focus on the simple premise of stable price and supply of quality peanuts to keep our markets growing for the future.

With the changes over the years, the subject of quality discounts has not been dealt with in many years. This is an area that could be addressed administratively in the differential calculations. For the past five years the Secretary has not used the statutory authority to allow comments on the differential calculations despite many written requests to comment.

With the increase in quality demands over that past few years, the Loan program must encourage the highest standards of quality attainable for our industry to survive. Growers in the U.S. already produce the highest quality peanuts in the world. We cannot sit back and wait for other countries to pass our standard as has happened in so many other industries. To avoid losses to the government and keep our industry

growing, the Loan program must demand state of the art quality requirements. If there are standards that 80% of our growers attain, the other 20% should meet the same standards. We should look for the proper mix of producer incentives and discounts to encourage delivery of peanuts of the highest quality level practicable.

A very emotional issue in the history of this program has been the fair price that allows growers to continue to supply a safe and wholesome product while allowing manufacturers to produce and sell a product that will find growing consumption.

I do not have the facts to say what is a reasonable price. I am aware of the structural changes in our industry that will occur as a result of NAFTA, and potentially more changes if GATT is ratified. It is my understanding that a universal goal of all growers is to renew a program that results in no cost to the government. If those growers will be bearing the cost of any error in arriving at that price, I will defer to the growers in calculating that price. If we have an expanding industry that does not meet consumer resistance in the marketplace, I will be happy with that price.

After that price is decided I must admire the mechanism that the tobacco industry has used for the past several years to update the support price each year. Our industry should consider a similar price adjustment mechanism that may reduce the problems encountered in changing the support price in the future.

In closing, I would like to thank you again for this opportunity to share my thoughts. It is important that this industry share a unified voice in approaching the upcoming Farm Bill. I look forward to working with the committee and other segments of the industry in reaching this goal.

THE FIRST NATIONAL BANK OF ASHFORD
H. MANNING SANDERS, PRESIDENT

FNB

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U.S. House of Representatives
Committee on Agriculture
Subcommittee on Specialty Crops
and Natural Resources
Room 1301, Longworth House Office Building
Washington D.C. 20515

Field Hearing Headland, Al.
July 18, 1994

Honorable U. S. Representatives

I am here today to talk about the benefits of the peanut program to agriculture lending and the area farmers ability to borrow operating funds. Agriculture lending is basically the same as any other type of lending. Five basic credit factors are considered when looking at any type of loan request. With the current peanut program all of the five credit factors are positively affected by the peanut program. These factors and the positive effect are outlined as follows:

Repayment capacity-(The ability of the borrower to earn enough income to repay his operating expenses, fixed cost plus retain a reasonable return on his investment.) The price support for quota peanuts gives area farmers at least 1 profitable crop. Peanuts have historically been profitable to area farmers, especially when compared to non supply based programs. The price support does not afford area farmers any large income gains but does provide at least a reasonable return on the farm investment.

Collateral-(The value of the asset securing the loan.) Various types of assets are used for collateral on farm related loans. Farm Equipment, farm real estate, crops, and crop insurance. These assets must be valued at the time of the loan. The value of the land and equipment are based on what comparable items would sell for. The crops are valued based on the projected sales price of the crops. In the case of peanuts as compared to other area crops the price support sets the price for quota peanuts and limits the acres planted for quota peanuts other crops have no acreage limitations and an unknown market price. With this set price and crop insurance protection a value can be given to the growing crop. Without a peanut program, other types of collateral such as land and farm equipment, especially peanut equipment would drop drastically in value. This would leave lenders with a limited collateral pool to be used when considering loan request.

Financial capital- (This is the underling net worth of the borrower, or simply what capacity would the borrower have to recover from a loss situation.) With all of the variables involved in agriculture production, especially with uncontrollable situations such as the current flooding, an adequate net worth is a necessity in agriculture lending. The Price support along with the quota system both affect the price of land and farm equipment. These farm assets usually make up the bulk of the farmers net worth. Without adequate capital to absorb uncontrollable losses, fewer and fewer small farm operations would have access to bank financing.

The peanut program and quota system are the driving force behind area farm land values. The peanut program was intended to level the production of U.S. peanuts, which it does. Because it has been successful, owning peanut land and quota peanuts adds value over and above what comparable land which is not farmed for peanuts or has any quota would have. This value shows up in the net worth of area farmers. Without a peanut program almost overnight a large decrease in farm net worth would occur on the balance sheet of area peanut farmers.

Borrower History and Character- (This is the borrowers historical performance based on his ability to make profits from his farming operation and management in using these profits to build net worth and improve his financial capacity.)

In area agriculture, peanuts are the major cash crop and a historically stable income producer. Compared to other crops which can be grown in the area, cotton, corn, small grains, soybeans and livestock, which do not have a supply limiting program, there is a definite historical advantage to the peanut program. The stability provided by the current program gives lenders confidence in the overall economic conditions of the area.

Purpose or condition- This is the fifth credit factor, which is affected by the peanut program. It is to consider the borrowers purpose for use of the loan proceeds. Included in this consideration are the current economic, legal, political, social and regulatory environment. When bankers consider agriculture lending, the question to be answered is: Are the economic conditions favorable for profitable agriculture production? From a individual point of view, is the loan request made for the purpose of making profits to improve his lifestyle, community or way of life. With a program that works like the peanut program it is easy to see that borrowing monies for the purpose of peanut production is a reasonable request. If there is no program, it could be very questionable whether banks could consider request for agriculture production. To farm without some reasonable chance for a profitable operation would not be considered a viable purpose for granting an agriculture loan.

- One other factor which needs to be considered is the importance of crop insurance in agriculture lending. If used properly it can be a very important tool both for the farmer and banker to use in limiting risk. It is my bank's policy to require use of crop insurance for every farmer, unless they have invested in irrigation. Without crop insurance, and a viable peanut program, farm credit, which is almost a necessity for every farm producer, will be limited.

This limit on the availability of credit would cause severe economic trouble to many of the local communities which are dependent on local agriculture productivity in the Wiregrass area.

H. Manning Sanders, President
First National Bank of Ashford

Statement of Camp Powers

MY NAME IS CAMP POWERS AND I AM PRESIDENT OF THE SOUTH ALABAMA DIVISION OF FIRST SOUTH PRODUCTION CREDIT ASSOCIATION.

I APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU TODAY TO SPEAK IN FAVOR OF THE PEANUT PROGRAM.

FIRST SOUTH PCA IS PART OF THE NATIONWIDE FARM CREDIT SYSTEM. OUR PRIMARY OBJECTIVE IS TO EXTEND SHORT AND INTERMEDIATE TERM CREDIT TO FARMERS AND RANCHERS IN THE STATES OF ALABAMA, MISSISSIPPI, AND LOUISIANA. FIRST SOUTH PCA HAS LOANS OUTSTANDING IN EXCESS OF \$400,000,000.

THE SOUTH ALABAMA DIVISION COMPRISES OF 31 COUNTIES, HAS APPROXIMATELY 950 OWNERS/CUSTOMERS, AND HAD \$82,000,000 IN LOANS OUTSTANDING AS OF JUNE 30, 1994. PEANUT FARMERS COMPRISE ABOUT 35% OF MY BUSINESS AND WILL HAVE LOANS OUTSTANDING OF ABOUT \$36,000,000 BEFORE THIS CROP IS GATHERED.

THE TERRITORY THAT I SUPERVISE COMPRISES ALL OF THE PEANUT PRODUCING COUNTIES IN THE STATE OF ALABAMA.

THE PEANUT PROGRAM AND IT'S EXISTENCE HAS HAD A MAJOR IMPACT ON THE ECONOMIC WELL BEING OF THE FARMERS WHO HAVE PARTICIPATED IN IT.

PAGE TWO

BUT THE PEANUT PROGRAM'S ECONOMIC IMPACT GOES WELL BEYOND THE FARM GATE.

IN PREPARATION FOR MY APPEARANCE HERE, I EXAMINED THE FILES OF 40 OF OUR LARGER CUSTOMERS AS CONCERNS THEIR 1993 OPERATION. I WOULD LIKE TO POINT OUT THAT 1993 WAS A DISASTER YEAR FOR SOME FARMERS IN OUR AREA.

BASED ON THE INFORMATION I EXAMINED I WOULD LIKE TO PRESENT THE FOLLOWING FACTS TO YOU:

1. THESE 40 FARMERS PRODUCED INCOME OF \$21,712,924 WITH THE MAJORITY COMING DIRECTLY FROM PEANUT CROP SALES.
- 2 IT COST THESE 40 FARMERS \$18,764,092 TO CARRY ON THEIR OPERATIONS AND TO PRODUCE THE PREVIOUSLY MENTIONED INCOME LEVEL.
3. THIS LEAVES A TOTAL NET OPERATING PROFIT OF \$2,948,832. FROM THIS AMOUNT, PAYMENTS FOR LAND AND EQUIPMENT WERE MADE IN THE AMOUNT OF \$2,582,612 LEAVING A NET PROFIT OF \$366,220 OR \$9,155.50 PER FARMER.

PAGE THREE

INCLUDED IN THE EXPENSE FIGURE OF \$18,764,092 WERE THE
FOLLOWING:

4. TAXES FEDERAL AND STATE INCOME TAXES - REAL ESTATE TAXES
 - \$1,183,481

THESE ARE FUNDS PAID TO FEDERAL, STATE AND LCOAL
GOVERNMENTS. THIS EQUATES TO \$29,587 PER
OPERATION AS AN AVERAGE.

RENT - PAID TO LANDLORDS - \$2,625,442

THESE ARE FUNDS PAID TO LANDOWNERS THAT DO NOT FARM BUT WHO
OWN FARMLAND. THESE LANDLORDS ARE MADE UP OF RETIRED
FARMERS, WIDOWS OF FARMERS, AND THOSE THAT EITHER INHERITED
OR BOUGHT FARM LAND. TO THE BEST OF MY KNOWLEDGE, THERE
WERE NO LARGE CORPORATE LAND OWNERS OR FOREIGN LAND OWNERS
INVOLVED.

THIS FIGURE IS SIGNIFICANT BECAUSE THE PEOPLE WHO RECEIVE
THESE PAYEMNTS MUST IN TURN PAY PROPERTY TAXES ON THE LAND
THEY OWN AND PAY FEDERAL AND STATE INCOME TAXES ON THESE
INCOMES THAT THEY HAVE RECEIVED.

PAGE FOUR

6. LABOR - TO FARM EMPLOYEES - \$1,794,030

THIS NUMBER IS SIGNIFICANT BECAUSE THESE EMPLOYEES MUST IN TURN PAY FEDERAL AND STATE INCOME TAXES AND SOCIAL SECURITY TAXES.

I HAVE BEEN TAUGHT THAT MONEY TURNS OVER ABOUT FIVE (5) TIMES IN A VIABLE ECONOMY. IF THIS IN FACT IS TRUE THEN THE FORTY FARMERS PRODUCING \$21,712,924 IN FARM REVENUES CONTRIBUTED \$108,564,620 TO THE ECONOMIC STREAM OF OUR AREA. I BELIEVE THAT WE CAN ALL AGREE THAT THIS IS A SIGNIFICANT ECONOMIC IMPACT NOT JUST FOR THE FARMERS BUT FOR THE ENTIRE BUSINESS COMMUNITY.

I MOVED TO SOUTH ALABAMA IN 1975 AND IT WAS THEN THAT I FIRST BECAME INVOLVED WITH THE BUSINESS ASPECTS OF THE PEANUT INDUSTRY.

SINCE THAT TIME, THE PEANUT PROGRAM HAS UNDERGONE MAJOR CHANGES -- MOST OF WHICH HAVE REDUCED THE ECONOMIC IMPACT OF THE PEANUT INDUSTRY IN OUR AREA.

FURTHER REDUCTIONS IN THE PROGRAM OR ELIMINATION OF THE PROGRAM WILL ONLY SERVE TO FURTHER THE ADVERSE ECONOMIC IMPACT IN THE PEANUT AREAS.


PAGE FIVE

ALL FARMERS, INCLUDING PEANUT FARMERS RESPONDED TO THE CALL TO PRODUCE ALL WE COULD SO THAT AMERICA COULD FEED THE WORLD. NOW, EVERYTIME WE LOOK UP SOME OF THOSE SAME GROUPS THAT PUT FORTH THE CALL ARE TRYING TO KILL THOSE THAT ANSWERED IT.

I LIVE IN THE TOWN OF LOUISVILLE, ALABAMA. IT IS ABOUT AN HOUR FROM HERE AND HAS A POPULATION OF 728. IT IS SMALL-TOWN AMERICA. WE DON'T HAVE A TRAFFIC LIGHT, BUT WE DO HAVE CABLE T.V. FOR THOSE FORTUNATE ENOUGH TO LIVE DIRECTLY IN TOWN. WE HAVE A BANK, A POST OFFICE, ONE FULL-TIME GAS STATION, A COUPLE OF CONVENIENCE STORES, CHURCHES, SCHOOLS, TWO FERTILIZER, SEED, AND FEED DEALERS. AS WITH MOST SMALL TOWNS WE ALSO HAVE VACANT STORES ALONG MAIN STREET THAT SERVE TO REMIND US OF THE FLOCK TO URBAN AREAS BECAUSE GOOD JOBS DON'T EXIST IN ENOUGH QUANTITY TO HOLD OUR YOUNG PEOPLE.

OUR TOWN IS GREATLY DEPENDENT UPON THE PEANUT INDUSTRY AND FARMING TO SUSTAIN OUR EXISTENCE. WITHOUT THE FLOW OF MONEY MADE AND SPENT BY FARMERS OUR TOWN WILL DRY UP.

THIS IS HAPPENING ALL OVER OUR COUNTRY AND IS THE DIRECT RESULT OF OUR LEADERSHIP DE-EMPHASIZING THE IMPORTANT ROLE THAT THE ENTIRE AGRICULTURAL INDUSTRY HAS IN OUR SOCIETY.



PAGE SIX

IN 1993, 40 FARMING OPERATIONS

- PAID \$1,183,481 IN TAXES
- PAID \$2,625,442 IN RENT THAT HAD TAXES SUBSEQUENTLY PAID ON IT
- PAID \$1,794,030 IN LABOR COST THAT ALSO HAD TAXES PAID ON IT
- CONTRIBUTED \$108,564,620 TO THE ECONOMIC STREAM OF OUR AREA

PEANUT FARMERS ARE CONTRIBUTORS TO OUR AREA AND OUR NATION, AND
WILL CONTINUE TO BE, GIVEN THE OPPORTUNITY.

I ENCOURAGE YOU TO SUPPORT THE PASSAGE OF THE NECESSARY
LEGISLATION THAT WILL ALLOW FOR THIS PRODUCING SEGMENT OF OUR
ECONOMY TO CONTINUE TO BE ECONOMIC CONTRIBUTORS.

**Statement Made Before The U. S. House of Representatives's
Subcommittee on Specialty Crops and Natural Resources by Alan
Miller, Extension Economist-Farm Business Management,
Wiregrass Farm Analysis Association
July 18, 1994
Headland, Alabama**

Mr. Chairman,

I serve farmers in southeast Alabama in my role as a Farm Business Management Economist for the Alabama Cooperative Extension Service and as advisor to the members of the Wiregrass Farm Analysis Association, a farm records and business analysis association. I am responsible for providing educational programs and information on the economics, management and marketing of the peanut commodity to Alabama farmers.

The average net farm income of the peanut growers in the Wiregrass Farm Analysis Association in 1993 was \$25,310. This compared to a ten year average net farm income of \$51,080. Farm businesses must produce net farm incomes, because this provides money to pay family living expenses, to pay income and social security taxes, to retire principal on term debt and to make new investments in the farm. Income and social security tax payments alone averaged \$17,981 in 1993 on Association members' farms, so that on the average members suffered financial losses in 1993. The association had individual members who lost in excess of one-third of their market value equity in 1993, due to the drought damaged 1993 peanut crop. In 1994, mother nature has again dealt harshly with many southeastern peanut growers. I say all this to emphasize that producing peanuts exposes growers to risk of financial loss and is not the path to easy money that some people might have you believe.

Each year I summarize the business records of the farm analysis association's members. This data can be used to show how these farmers' average net farm incomes and financial progress could have been affected had changes been made then in the support price for quota peanuts. In the July, 1994, issue of Southeastern Peanut Farmer, one of the articles reported that in a recent meeting in Washington, shellers proposed a \$550/ton support rate for quota peanuts. If the support price had been reduced by 18.5% to \$550 in 1992, how would association members' businesses been affected. I chose 1992, because it was the most profitable year our peanut growers have experienced since formation of the association in 1984. With a drop in the support price to \$550/ton in 1992, members' net cash incomes would have declined 10% on the average and net farm incomes would have declined 48% on the average. Instead of the financial progress that these farmers achieved in 1992, the lower support price would have resulted in an average shortfall in debt repayment capacity of \$6,364. This example shows that these farms' profitability and debt repayment capacity are very sensitive to what might seem to be modest declines in revenues.

After the initial drop in the support price, we might expect some reduction the adverse impact on peanut producers with the passage of time. Dr. Stan Fletcher reported last week at the annual meeting of the American Peanut Research and Education Society on the results of research he and his colleagues recently completed on the demand for peanuts. That research shows that a drop in the quota support rate to \$550/ton will reduce growers' total peanut revenues by 12.34% . I want to express my appreciation to Dr. Fletcher for giving me permission to incorporate that information into my comments. If the 12.34% is multiplied times the percentage of a peanut producer's total revenues attributable to peanut sales, then the resulting product will equal the percentage by which producer's net cash income will decline as a result of a drop in the quota support price to \$550/ton. As my example showed, even seemingly small declines in net cash income as a percent of sales can wipe out most, if not all, of a producer's profitability and repayment capacity.

In the years following the initial drop in the support price to \$550/ton, the adverse impact on growers might be somewhat reduced by declines in certain expenditures including expenditures for seed, income and social security taxes, and rent. The benefit to growers from these moderating effects should not be overated by policy analysts. For example, the biggest of these expenses for Wiregrass Association members is rent. Typically, total rent paid by these farms for cropland, quota, and pasture will average no more than \$.18 per \$1 of peanut sales. Even if rent went to \$0 as a result of a change in the peanut program, what reasonable person would give up \$1 of peanut income in order to save \$.18?

Recent research on economic multipliers applicable to the peanut sector of the economy in the this region indicate that total economic activity in Alabama will decline by perhaps as much as 100 million dollars annually as a result of a drop in the quota support price to \$550/ton. We can expect reduced employment, failed farm and nonfarm businesses, and a decline in rural land values. A decline in quota values will be especially hard on those farm operators who have purchased additional peanut quota in recent years. The case for inflicting this type of economic pain and suffering on the people of the Wiregrass would need to be very compelling.

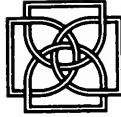
There are two other issues I would like to comment on:

First, I am concerned about claims that allowing the transfer of quota across county lines will improve the economic efficiency of peanut production and improve the quality of peanuts produced by eliminating production on low yielding farms. At least in the short term, that assertion appears questionable. The reason is that any movement would likely be to those counties where the rental rates and purchase prices of quota are now highest. In Alabama, those counties are the ones that already have the

highest concentrations of quota. Transfers to these counties may only compound the difficulties growers are having with maintaining yields, because of poor rotations and increasing disease and pest pressures. Also, a good case could be made that peanut yields, quality, and economic efficiency vary as much or more between individual producers within a county as between the producers in different counties. A related proposal that seems more reasonable is to allow temporary fall transfers across county lines as a means to avoid loan losses and to prevent excessive bidding up of fall transfer rental rates, since natural calamities may affect one county more severely than another.

I am also concerned by statements being made by representatives of the shelling industry to the effect that growers should use the CCC loan program only as a last resort. Since 1991, the loss sharing provisions of the loan program have provided more than enough incentive for producers to avoid using the loan except as a last resort. Producers are constantly reminded of that fact as can be evidenced by picking up just about any peanut publication issued since 1991 that offers peanut marketing advice. Also, a good case can be made that any discount provision for quota loan advances is equivalent to reducing the quota price support rate.

In conclusion, I want to express my appreciation to this committee for providing an opportunity to comment on issues that have been raised regarding the peanut program. With the increasing concentration of the peanut shelling and manufacturing industries and with increased exposure to the uncertainties of the world market, a peanut program that protects the livelihoods of the growers and the economies of their communities will continue to be very important.



DOTHAN AREA
CHAMBER OF COMMERCE

**Committee on Agriculture
Subcommittee on Specialty Crops and Natural Resources
The Honorable Charlie Rose, Chairman
Field Hearing
July 18, 1994 — 11:00 a.m. CDT
Auburn University Experimental Station
Headland, Alabama**

**Statement of Jim Reichardt, C.E.D., President
Dothan Area Chamber of Commerce
Dothan, Alabama**

I am Jim Reichardt, President of the Dothan Area Chamber of Commerce, a business organization that has served the Dothan/Houston County area for 75 years. We exist to advance the commercial, industrial, civic, agricultural, and general interests of our citizens and to address issues at the local, state, and national level that may affect balanced economic growth. We currently have 1,100 members.

Dothan/Houston County is one of the 10 counties that comprise the sixth agricultural reporting district in Alabama — a district that produces 97 percent of the peanuts grown in the state. The other counties are Barbour, Coffee, Covington, Crenshaw, Dale, Geneva, Henry, Pike, and Russell. In this 10-county region, some 10,000 persons are employed in agriculture, and approximately 2,600 of those are peanut farmers.

Each of those 2,600 peanut farmers employs the equivalent of two additional full-time employees, accounting for at least 7,800 farm jobs created by the peanut program. Using the multiplier of 2.5 from the University of Georgia, this means an additional 19,500 jobs for a total of almost 27,300 jobs created in Alabama by the peanut program. According to Auburn University (based on 1990 data), the loss of one job in the production of peanuts results in the loss of 3.29 jobs in the Alabama economy.

- 1 of 3 -

Peanuts are a leading cash crop in the state of Alabama. Alabama consistently ranks second or third in the nation in peanut production. In terms of dollars, the loss of each dollar in peanut production results in the loss of two additional dollars to the Alabama economy. In 1992, the last crop year in which there was no drought, the Dothan trade area produced \$180 million worth of peanuts, which translates into an overall \$700 million economic impact on the region. When the peanut production figures of Georgia, Florida, and South Carolina are factored in, the economic impact approaches an impressive \$2.4 billion.

My reason for testifying this morning is to establish the importance of the peanut industry to the economy of southeast Alabama, and, in the wake of concessions already made in the NAFTA and GATT documents, to voice, on behalf of the Dothan Area Chamber of Commerce, my opposition to any further attempts to dissolve the peanut program. I cannot state too often or too strongly that agriculture, and particularly peanuts, play a major role in the economic well being of southeast Alabama.

With over 225,000 acres in production, the southeastern most counties of Alabama produce over 300,000 tons of peanuts annually. Some 50,000 tons, representing \$40 million, are sold for consumption outside the U.S. Indeed, over half the peanuts in the United States are grown within a 100-mile radius of Dothan, Alabama. When Alabama peanut production is combined with that of Florida and Georgia, the tri-state area produces nearly 65 percent of the nation's supply.

Because of the success and soundness of the peanut program, we have avoided the recessionary effects experienced in other parts of the country. Though this area also enjoys a certain industrial diversification, peanuts, nevertheless, still determine the economic health of our region and that of sister communities in our nearby geographical area.

For example, the following industries are directly dependent upon the peanut industry: shelling, transportation of peanuts and peanut by-products such as skins and shells; processing peanuts into seed; storage of peanuts; processing of peanuts into food items; and crushing peanuts into oil and meal.

Yet another industry that would be hard hit by the dissolution of the peanut program is retail trade. Dothan serves as the metropolitan statistical shopping hub for a 50-mile radius, a fact borne out by retail sales of \$1.1 billion in 1992. Retail trade supports well over 1,200 firms and employs almost 10,000 persons in the Dothan area alone. Without the solid foundation of the peanut program, the retail industry in the tri-state area would be devastated.

The Dothan Area Chamber of Commerce is concerned about the direction of this country's domestic economy, especially as it relates to agricultural policies. At a time when corporate America is suffering from massive layoffs due to defense cutbacks and company downsizing, Congress should not be pursuing a strategy that will reduce jobs of any kind. The Congressional Budget Office has already released information showing that the peanut program does not cost taxpayers a dime; in fact, it will save the government money under GATT. While there may be certain economic gains associated with the dissolution of the peanut program, many of those short-term gains will be offset by long-term job losses and economic disaster in southeast Alabama.

The Dothan Area Chamber of Commerce supports fair trade practices but not so-called free trade practices that will severely undermine the economic stability of one region of the country. Therefore, we urge our government leaders to utilize objective economic impact analyses as a basis for the adjustment of any federal program involving agribusiness.

Thank you for your consideration.

Statement of Lester H. Killebrew

It is an honor for me to appear before you today. I appreciate the opportunity to express my observations on the state of our industry and how it is affected by farm and peanut legislation. I would also like to take this time to thank you for the fine job that you do for the people of our country and this region. I will attempt to give you a prospective as a small businessman in the heart of the peanut belt.

To give you a brief background, my family has a history of forty-one years in the farm equipment business. I have personally owned a John Deere dealership for the past twenty-five years. I also operate a small peanut farm.

Agriculture and related agribusiness is cyclical by nature, but a change in the structure of the peanut program would be very dangerous to our continued stability as farmers and agribusiness people. About the only peanut farmers that are profitable, even with our present program, are those family farmers who own land, have accumulated equipment over many years, and are the very best managers. If looked at from a return on investment stand point, these are not doing well. With present quota prices our best managers can realize a reasonable profit during normal crop years, but cannot realize the profitability required for them to overcome short crop years without much sacrifice. Without the farm crop insurance program we would not have survived the last three years.

According to Dr. Robert Taylor, ALFA Eminent Scholar at Auburn University, there is another structural issue with a change of the peanut program. "With elimination of the program, many think that peanuts will quickly go to contract production, much as we have in the poultry industry.....
 ...we are evolving to where only a very few companies would wide control much of the global trade in agricultural products." We cannot store peanuts like we do corn, soybeans, wheat and cotton. We are at the mercy of the buyer. With a contract production system, those actively engaged in agricultural production have no market power, while a few companies have considerable market power. As a result producers would be economically squeezed.

Dr. Taylor also says, "Various USDA, GAO, and University studies have estimated that elimination of the program would increase food consumer benefits by about \$1.50 per person annually. But given the imperfectly competitive nature of the processing industry, it is doubtful that all of this would be passed on to people who actually consume peanut butter and candy bars. Thus, impacts of the program elimination on food consumers would be quite small." .

This affects agribusiness in many ways but it can best be expressed by Dr. Taylor's economic analysis . According to Dr. Taylor, the elimination of the peanut program would reduce net agricultural income in just our immediate area by \$195 million annually. The total income multiplier for the peanut sector in this region is 3.97. Thus, the full

economic impact of program elimination on total income in the area would be \$775 million annually. This would approach \$4 billion for the Alabama, Georgia, and Florida Region.

Based on University of Georgia studies, we can say that there are well over 200,000 people in just this region (U.S. family average size is 2.5) whose livelihood depends on agribusiness and the peanut program. With a change in the program, the increase in unemployment and in welfare rates could be a great cost to our government.

We and other farm suppliers would have to reduce our work force by thousands of jobs creating a loss of tax revenue to all levels of government. This would so profoundly impact agribusiness that an alarmingly large number would have no choice but to file bankruptcy.

We must fine tune and continue the present structure of our current peanut legislation. Our present peanut bill works for everyone concerned. It allows the good farm managers to survive, it gives the consumer a quality product at a reasonable price and properly managed, it is very cost effective.

It is essential that this program be continued if our peanut belt farmers, agribusiness people, and our rural economy are to survive.



ADULT PEANUT BUTTER LOVERS' FAN CLUB

TESTIMONY

July 18, 1994

Good morning. My name is Mitch Head and I am here representing thousands of consumers from across this country in my role as president of the Adult Peanut Butter Lovers Fan Club, a consumer organization.

Mr. Chairman and Subcommittee members, American consumers care about what we put into our mouths; we care about what we put into the lunchboxes of our young children. Consumers want good quality, good tasting, safe and nutritious foods. We don't want diseased products, chemically-tainted products or defective products no matter how cheap the price.

I have brought with me today more than 2,000 cards and letters from consumers in all 50 states and the District of Columbia. These consumers want an end to the rising, unchecked tide of imported foreign peanuts and peanut butter. We're concerned that these imports endanger the quality and the safety of the food we eat, and the food we feed our children.

I submit all of these comments, individually signed with names and addresses, to you as part of the permanent record of this hearing.

We all know that 99% of this imported peanut butter is never inspected by the government or subjected to the same rigorous testing and standards that guarantee the quality of peanuts grown right here in the U.S.A.

We know that the majority of this imported peanut butter is disguised. It's disguised as ingredients in cookies, snack cakes and other bakery products that don't disclose on their labels its foreign origin.

We know that this imported peanut butter can be perilous, not only to consumers but also to the American peanut farmer and peanut industry.

SUITE 525 • 1950 NORTH PARK PLACE • ATLANTA, GEORGIA 30339
(404) 933-0357 • FAX (404) 933-0796

PAGE 2

While this product may be slightly cheaper than U.S. peanut butter, I would venture to say that you could not give it away free to American mothers if they knew what it contained. Our members urge you to pursue country of origin labelling requirements that let consumers know where their food is being grown ... right here in the good 'ol USA, or someplace in China, South America or Bora Bora.

I'm here to say that American consumers are getting a pretty good deal from American-grown peanuts and peanut butter. According to the latest statistics from the Commerce Department, a serving of peanut butter only costs 12 cents -- the same price it cost 4 years ago! What other products can you name that cost the same as 4 years ago?

In fact, TWO peanut butter sandwiches cost less than a quarter -- less than a single postage stamp! And, despite this natural disaster washing away many of these crops, consumers won't be subjected to skyrocketing retail peanut butter prices -- thanks to the price stabilizing effect of the Peanut Program.

Being here in the great state of Alabama, where peanuts are king, I would be remiss if I didn't recognize the accomplishments of Dr. George Washington Carver who taught and practiced agronomy throughout this region. 73 years ago Dr. Carver testified before a Congressional Committee just like this one, pleading for an increase in the tariff for imported peanut products.

In his testimony, Dr. Carver said, and I quote: "The peanut is one of the greatest products that God has ever given us. Sometimes you have to protect a good thing. We could not allow other countries to come in and take our rights away from us."

Dr. Carver was a wise man, and the Congress saw fit to protect both America's agricultural interests as well as its consumers. The Peanut Program does that today. We ask that you do all you can to insure its continuation, not only for all of the farmers in this region but for all the consumers as well.

Thank you.

Respectfully Submitted July 18, 1994
Mitch Head
President

PAGE 2

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Respectfully Submitted July 18, 1994
Mitch Head
President



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